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EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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CHERNOBYL
Hot spot of contention
Page 16

World News

## US outlines conditions for easing aid to Yugoslavia

The US will soften the impact of suspending financial assistance to Yugoslavia if Mr Stipe Mesić, a Croat, is chosen as the country's next federal president, Warren Zimmermann, US ambassador to Yugoslavia, said yesterday. Page 18

**Fresh ANC demand**

The African National Congress (ANC) dismissed as inadequate a compromise deal banning the carrying of tribal weapons such as spears in troubled black townships. Instead, it wants a total ban on all dangerous weapons. Page 4

**'No torture' pledge**

President Patricio Aylwin pledged to fight the remaining pockets of terrorism in Chile without resorting to torture or other inhuman methods. Page 3

**Journalists freed**

Colombian drug traffickers released two journalists, one held more than half a year, amid rumours that the country's most-wanted Mafia boss is about to hand himself in. Page 3

**UK bans fight dogs**

Britain banned the import of American pit bull terriers and of Tosas, a Japanese breed of fighting dog, amid a public outcry over the mauling of a 6-year-old girl.

**Rain hampers aid**

Heavy rains lashed Dhaka, Bangladesh, preventing a US task force and relief agencies from sending aircraft with supplies to victims of last month's cyclone disaster.

**Warsaw clean up**

The Polish army appeared on the streets of Warsaw to shift rubbish that has piled up since a strike by waste collectors began last Thursday. Page 2

**Kuwaiti trial put off**

Kuwait adjourned its second trial of people accused of collaboration during the Iraqi occupation. Page 4

**German aid plan**

Germany plans to attach conditions to its development aid by obliging nations to curb defence spending, undertake political reform and respect human rights.

**Willi Stoph held**

Police detained Willi Stoph, the former East German prime minister, and defence minister Heinz Kessler over alleged involvement in orders to shoot people trying to flee to the west.

**Thai copyright row**

Thailand said it may bow down to US demands for reducing piracy of copyrights and drugs patents, over which Washington has threatened trade sanctions.

**Pressure on Iraq**

Britain said that 51-year-old engineer Douglas Brand, jailed for life by Iraq on spying charges last week, did not receive a fair trial and it would pressure Baghdad until he was freed.

**Space shuttle delay**

US space agency NASA delayed the launch of shuttle Columbia for at least a day after problems with an on-board computer unit.

**Alan Bond quizzed**

Alan Bond, former chief of Bond Corporation, appeared for the first time before a corruption inquiry in Perth, Western Australia, which is probing business deals with the state government.

**'00' for Europe**

The European Commission proposed a single dialling code – a simple "00" – from 1993 for all international phone calls made within Europe, replacing 12 national codes. Page 2

Business Summary

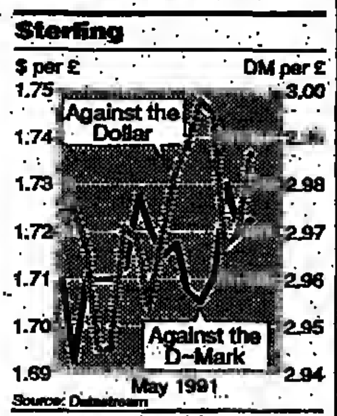
## Volkswagen and Ford in Esc400bn joint venture

Ford and Volkswagen are expected to announce shortly the go-ahead for an ambitious Esc400bn ($2.6bn) joint vehicle development project in Europe which would include the building of an assembly plant in Portugal.

The two companies are co-operating in the development of a so-called multi-purpose vehicle or people carrier, a high roof 7-8 seat estate car, to compete with vehicles such as the Renault Espáce, expected to be one of the fastest growing segments of the European car market in the 1990s. Page 18

DOLLAR weakened and the D-Mark had a firmer tone after intervention by the German Bundesbank and Swedish Central Bank. In London, sterling rose 1¼ cents to close at $1.7365 and also advanced against the D-mark to close at DM2.9725 from DM2.9700. Currencies, Page 36

**Sterling**




Source: Datastream

FIAT, Italy's biggest private-sector company, announced an unchanged dividend of L370 for ordinary and preference shares despite a severe fall in net group profits to L1,613bn ($1.27bn) last year from L3,306bn. Page 19

HOPEWELL Holdings, Hong Kong-based property and construction group, is to raise between HK$5.64bn ($724m) and HK$5.93bn through a one-for-one rights issue. Page 19

BETHLEHEM Steel of the US and British Steel radically altered plans for a joint venture in the fiercely competitive American market for structural steels. Page 19

KANIS Energie, German subsidiary of GEC-Alsthom's European Gas Turbine Company (EGT), has won a $102m turnkey contract to supply seven 38MW gas turbines to the United Arab Emirates. Page 5

OECD: officials from industrial countries, meeting at the Organisation for Economic Co-operation and Development in Paris, again failed to reach agreement on reforms to export credit rules. Page 5

MATSUSHITA Electric Industrial, Japanese consumer electronics company, reported a 4 per cent increase in pre-tax profit to Y276.5bn ($2bn) in the year to end March, but expects slower Japanese economic growth and a higher interest rates will mean a fall in profits this year. Page 20

CATERPILLAR, world's biggest manufacturer of earth-moving equipment, warned it might turn in a second quarter loss and said its earnings outlook for the rest of 1991 was very uncertain. Page 20

ENDESA, Spain's main electricity utility which is 70 per cent state-owned and listed on Wall Street, reported a 15 per cent rise in after-tax profits to Pta68.1bn ($636m) for 1990 and is to pay a dividend of Pta109 per share against Pta100 last year. Page 20

BLACK & Decker, electrical tool maker, has sold its Mallory Controls business in Brazil in what amounts to the country's first management buyout of a foreign subsidiary financed by international investors. Page 20

Indian political stability shaken ● Police on maximum alert in New Delhi

# Gandhi dead in bomb blast

By Our Foreign Staff

INDIA'S fragile political stability was deeply shaken last night when Mr Rajiv Gandhi, the former prime minister, was killed in a bomb explosion in the southern state of Tamil Nadu. Mr Gandhi, leader of the Congress Party, died in the blast at Sriperumpudur, 24 miles from Madras, while campaigning for the next stage of India's week-long elections, which began on Monday.

The Press Trust of India, which said its own reporter was at the scene, said Mr Gandhi was blown up after he stepped from his car to address an election meeting. He was decapitated by the force of the blast, the report said.

At least a dozen other people were feared killed in the blast, which left Mr Gandhi lying in a pool of blood with several unidentified bodies. Security men immediately cordoned off the area and were trying to rush injured to hospitals.

There was no immediate claim of responsibility for the attack or indication of who was responsible. But most of the violence in the southern state has been attributed to Tamil militants from neighbouring Sri Lanka who have sought refuge in Tamil Nadu.

Mr Gandhi, prime minister from 1984 until 1989, sent Indian army troops to the island nation of Sri Lanka in an attempt to end years of ethnic strife between the Sinhalese majority and the Tamil minority.

But the then Indian leader became enmeshed in a 2½-year stalemated war with the militants and India withdrew from the Indian Ocean island in March 1990, six months after Mr Gandhi left office.

He had been on the target list of Sikh terrorists fighting for an independent nation in northern Punjab state, but the Sikhs have not been known to operate in Tamil Nadu.

Mr Gandhi, 46, took over as leader of the Congress Party from his mother, Indira Gandhi, who was assassinated by her Sikh bodyguards in 1984.

Before heading for yesterday's meeting, Mr Gandhi had placed a garland on a statue of his assassinated mother.

Indira's death came four months after she ordered an army raid on Sikh militants who had holed themeselves up in the Golden Temple of Amritsar. More than 2,000 people, mostly Sikhs, were killed in that confrontation with her government.

Mr Gandhi had arrived at Madras airport about two hours earlier to campaign for his party in this week's national elections.

He was reported to have been cheerful and confident about his party's chances in the elections. Most opinion polls have said the Congress was likely to do well in the election and Mr Gandhi was poised to make a comeback.

Police went on maximum alert in New Delhi last night following news of Mr Gandhi's death. A police spokesman said the capital's entire police force would be kept on full alert to handle possible violence.

India's elections this year have been the bloodiest ever, with 200 people killed since the start of campaigning six weeks ago.

Mr Gandhi survived several assassination attempts during his political career. In September 1986, a lone gunman fired a volley of shots at him during a service in memory of Mahatma Gandhi, himself a vicim of an assassin.

Mr John Major, Britain's prime minister, said last night: "Everyone will be shocked and saddened by the very tragic news of Rajiv Gandhi's murder. Our hearts go out to his family and the other families of those killed in this incident.

"It is a grave risk that politicians face in democracies. He was a very brave man, a man of very rare qualities. He had very many friends in the Commonwealth and in this country who will miss him a very great deal."

Asked if he thought the democracy in India would survive, Mr Major replied: "Oh yes, Oh yes. Democracy is a very secure plant and I have no doubt it will survive."

He said that times might be difficult and turbulent, "but India is a very vibrant democracy and I am sure it will survive."

Mr Mark Lennox-Boyd, British Foreign Office minister, said: "Our reaction is one of horror."

"It is a terrible act and it is something the Indian people will feel terribly, even if they disagreed with Rajiv Gandhi politically."

The British government would do all it could to help in the future.

Mr Neil Kinnock, opposition Labour party leader, said last night: "He had a real vision for a modern democratic India and tried everything he could to bring it to life."

Five polls cancelled, Page 4

Former prime minister Rajiv Gandhi casting his vote in New Delhi earlier this week

# Security measures shunned on election trail

By David Housego in New Delhi

RAJIV GANDHI had in this election campaign thrown all security precautions to the wind.

When he climbed on to the platform at an election rally, his first gesture was to get the police to remove the security barriers and to encourage the crowd to come forward.

He said in conversation that what had largely lost his Congress Party the last election in 1989 was its inability to communicate. By this he meant, in part, their difficulties in getting their policies across.

But he also meant that the massive security precautions that had surrounded him ever since his mother, Mrs Indira Gandhi, was assassinated by Sikh extremists in 1984, had prevented the contact with crowds on which politics and leadership thrives in India.

He was determined in this campaign to break down the barriers and to communicate. He tossed back garlands into the crowd. His still-boyish face beamed with a large and almost permanent smile. His language was simpler. He even cracked jokes - which was not easy for a man reserved and shy by temperament.

In this much more personal style of campaigning he was following the instincts of his mother. In a campaign which for him began well - where the crowd had seemed enthusiastic and where his party's morale was boosted by their response - it seemed the only way of restoring confidence in his leadership.

But as polling day approached, it became clear that his Congress Party was falling back in the face of the electoral onslaught made in the north by the Hindu revivalist Bharatiya Janata Party (BJP). If this election had been pursued to its normal conclusion - there are still two more days of polling on Thursday and Sunday - it is doubtful whether Congress could have obtained a stable majority, or even perhaps a majority. But all assumptions could now be changed.

The first query in the minds of Indians - who were shocked into silence by the news as it began to spread at close to midnight Indian time - was whether there would be a repetition of the dreadful riots that followed Mrs Gandhi's assassination in 1984 and which left thousands dead in Delhi. The target of revenge then was the Sikhs. Last night it was still unknown who was behind the explosion.

The second immediate question will be over the future of the election itself. The Congress Party could benefit from a sympathy wave in its favour. On the other hand, the Congress has been so identified with Mr Gandhi that for many people there must be a question of whether the election can continue after his death.

Mr Gandhi had a difficult political career. He took over form his mother as prime minister with no political experience. He was by career an airline pilot with no apparent interest in politics. Apart from his mother the other politician in the family was his younger brother Sanjay who was killed in an air crash while flying his own plane in 1983. Rajiv was thus the third member of the family to have died violently.

The issue on which he fought this campaign - but which was being pushed aside by the surge of Hindu revivalism - was that the return to power of the Congress Party would provide political stability. His death intead plunges India into a fresh crisis of instability.

# Rebel victories force Ethiopian president to quit, flee country

By Julian Ozanne in Kampala

PRESIDENT Mengistu Haile Mariam has resigned and fled Ethiopia under pressure from the Soviet Union, the US and sweeping rebel victories against his demoralised 14-year-old regime.

Faced with the imminent prospect of the disintegration of his nation, Mr Mengistu succumbed to internal and external pressure and quit power yesterday.

He leaves behind a country poised on the brink of economic and political crisis after 14 years of oppressive Marxist-Leninist rule which devastated the economy, crushed political dissent, exacerbated famine and failed to solve an enduring civil war.

Mr Mengistu, the seventh African head of state to lose power this year, left the country in an Ethiopian Airlines Twin Otter plane yesterday morning for Nairobi, where it is believed he met Kenyan President Daniel arap Moi, an old friend. He was expected to leave last night for his final destination of Zimbabwe to rejoin his wife and family.

A radio broadcast at noon said Vice President Tesaiye Gebre-Kidan, a former defence minister and right hand man to Mr Mengistu, had taken over the country.

Mr Gebre-Kidan said on radio: "The person who has been responsible for the bloodshed in Ethiopia has departed to avoid more bloodshed."

Ethiopia's Council of State, the nation's highest ruling body, appealed for a ceasefire in the 30-year-old civil war and called for a transitional government incorporating all opposition groups.

A senior US official confirmed that the Bush administration had been instrumental behind Mr Mengistu's departure. The US approached Mr Natham Shamuyarira, the Zimbabwean foreign minister, last Friday, and President Robert Mugabe sent a special envoy to Addis Ababa at the weekend urging Mr Mengistu to stand down as soon as possible because his continued presence jeopardised vital peace talks in London next week.

With rebels now 75km outside the capital, all sides in the civil war are due to meet in London next week to try to thrash out a peace proposal for a transitional government aimed at preventing the imminent battle for Addis Ababa and the break-up of the nation. Mr Mengistu was considered a main obstacle to a peace breakthrough.

US officials publicly welcomed Mr Mengistu's departure yesterday and called on rebel groups to stop fighting.

"We got him finally," said one US official. "We have been trying to prevent another hard landing in Africa after Somalia and Liberia and we hope a US effort would result in avoiding that. We had to get Mengistu out to give the peace process and a political transition a chance of success."

Mr Mengistu had also been under pressure to quit from the Soviet Union, once his staunchest ally during the cold war.

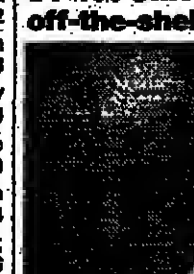
Details, Page 4



CONTENTS



**Soviet Union enters market for off-the-shelf economic answers**



President Mikhail Gorbachev has enthusiastically agreed to subcontract the formation of his future economic policy to Harvard, but what does this mean for the Soviet Union and the west?

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MARKETS

**STERLING**
New York lunchtime:
$1.7372
London:
$1.7365 (1.719)
DM2.9725 (2.97)
FFr10.085 (10.0775)
SFr2.515 (2.5075)
Y238.5 (237.5)
£ Index 92 (91.7)

**GOLD**
New York: Comex Jun
$357.9 (358.1)
London:
$356.5 (355.35)

**N SEA OIL** (Argus)
Brent Jul
$19.725 (19.575)

Chief price changes yesterday: Page 19

**DOLLAR**
New York lunchtime:
DM1.712
FFr5.807
SFr1.448
Y137.37
London:
DM1.7115 (1.728)
FFr5.8075 (5.8625)
SFr1.448 (1.458)
Y137.4 (138.2)
$ Index 65.8 (66.4)
Tokyo close: Y138.15

**US lunchtime rates**
Fed Funds 5$\frac{11}{16}$%
3-mo Treasury Bills:
yield: 5.65%
Long Bond:
98¼
yield: 8.278%

**STOCK INDICES**
FT-SE 100:
2482.7 (+16.1)
FT Ordinary:
1942.5 (+15.2)
FT-A All-Share:
1,199.03 (+0.6%)
New York lunchtime:
DJ Ind. Av.
2,917.04 (+24.82)
S&P Comp
375.86 (+3.58)
Tokyo: Nikkei
25,461.21 (−41.82)

**LONDON MONEY**
3-month Interbank close:
11$\frac{3}{16}$-11$\frac{17}{32}$% (11$\frac{7}{16}$)
Liffe long gilt future:
June 90$\frac{11}{32}$ (90⅝)

OECD REPORT

# Ireland 'needs reform plan, public spending restraint'

By George Graham in Paris

IRELAND'S economy has shown a remarkable improvement over the last four years, but with growth now slowing down, the government must maintain its commitment to exchange rate stability and public spending restraint, the Organisation for Economic Co-operation and Development (OECD) has warned.

In its annual report on the Irish economy, published today, the Paris-based economic policy organisation says that Ireland's growth rate, which had topped 5 per cent a year in 1989 and 1990, will more than halve this year to only 2.2 per cent.

The OECD says that with Ireland's main trading partner, the UK, in recession, and prospects for agriculture affected by European Community budget constraints, unemployment is likely to remain high, although inflation may decline further.

Ireland must now add a programme of structural reform to its rigorous exchange rate and government spending policies.

**IRELAND'S ECONOMIC OUTLOOK**

| | 1990 | 1991 | 1992 |
|---|---|---|---|
| GNP (% change) | 5.1 | 2.2 | 2.5 |
| Inflation (%) | 3.2 | 2.8 | 2.7 |
| Unemployment rate (%) | 14.0 | 14.3 | 14.4 |
| Trade balance ($bn) | +3.8 | +3.7 | +4.0 |
| Current balance ($bn) | +0.9 | +0.6 | +0.7 |
| Government net borrowing (% of GNP) | 2.3 | 2.1 | 2.2 |

if it wants to maintain output and employment growth at satisfactory rates and to narrow the gap between its unemployment rate and living standards and the average of the OECD's 24 member countries.

Corporate taxation must be reformed in order to raise more revenue from companies and ensure greater neutrality of the tax regime towards capital and labour, the OECD advises.

At the moment, Ireland's industrial policy relies heavily on tax privileges and direct subsidies. Although these have attracted high-tech, export-oriented manufacturing businesses, but they have had little spillover into the domestic sectors of the economy, the report continues.

The distorted tax structure has retarded the development of an efficient domestic service sector and has favoured capital in an economy characterised by a large excess supply of labour.

The OECD applauds the government's efforts to curb its borrowing requirement, but warns that Ireland's debt still amounts to 111 per cent of gross national product (GNP), the second highest ratio in the OECD area.

It urges that government borrowing should not exceed an average of 2 per cent of GNP over the next three years.

# Denmark's ombudsman to sue bank

By Hilary Barnes in Copenhagen

DENMARK'S consumer ombudsman has launched a frontal attack on one of the chief sources of income for the country's banking system through the use of what is known to bankers as "the float".

The float is the system by which banks take interest on money lent from the day the loan is made, but only pay interest on deposits from the day after the deposit is made.

According to the ombudsman, Mr Hagen Jorgensen, the float is not in the interest of consumers and is in conflict with the marketing act. Both claims are strongly contested by the banks.

The banks refused a request from Mr Jorgensen last year to change the system, so now the ombudsman has decided to sue one of Denmark's four biggest banks, Bikuben, the savings bank, in a test case before the Commercial and Maritime Court.

According to Mr Jorgensen, the banks should treat loans and deposits equally. The present system is unfair to consumers, since it gives all the benefit to one side only, and lacks transparency, he says.

Mr Sten Rasborg, chief executive at Unibank and chairman of the Bankers Association, says the ombudsman "has no right to involve himself in our business methods."

Bankers say the float is a main source of bank income. If it is disallowed, the banks will have to introduce charges on transactions to make up the lost income.

The Bankers Association claims all other countries in Europe with the exception of Germany use the float, while in Germany customers pay a charge for each transaction.

## Correction
## Yugoslavia

Because of an editing error the Financial Times reported yesterday that continued EC aid for Yugoslavia was dependent on that country maintaining its unity.

European Commission officials have made clear that the EC will continue to channel aid and credit to Yugoslavia but that Yugoslavia's hopes of closer relations with the Community hinge on its maintaining its unity.

# EC likely to unblock Soviet aid

By David Buchan in Brussels

SENIOR EC and Soviet officials are expected to unblock Ecu650m (£446m) worth of EC food and technical aid to Moscow during talks starting in Brussels today.

The EC pledged the aid last December, but had since withheld it for political and organisational reasons.

During the first meeting of the EC-Soviet "mixed commission", EC officials hope the Soviet delegation led by Mr Ernest Obminsky, a deputy foreign minister, will be able to offer sufficient assurances on EC food reaching the poor, young and neediest people in big Soviet cities – rather than the pockets of governmental officials or racketeers – for shipments to begin.

At their December 1990 summit, EC leaders promised Moscow Ecu250m in food aid, hailing it as vital to sustaining Soviet citizenry through the winter and as an important political symbol of new EC-Soviet ties.

Scarcely a kilo has reached Soviet territory, because Brussels has failed to get assurances that the food would be distributed primarily through organisations like the Soviet Red Cross.

"We regret the aid did not go immediately, but the fact there has been a delay does not mean that the food is any less necessary now", said an EC official yesterday.

A parallel promise of Ecu400m in technical aid fell casualty to political tension between Brussels and Moscow earlier this year over the latter's strongarm tactics in the Baltic republics.

Brussels delayed both the aid and the opening meeting of the EC-Soviet commission, set up under the 1989 EC-Soviet co-operation accord.

EC officials hope the meeting will start committing the money to projects on training, energy, transport, financial services and food distribution.

A further element of the EC aid package – an EC budget guarantee for the Soviet Union to borrow up to Ecu500m in the west to buy food – has been held up.

This is because Moscow is quibbling over the precise terms and duration of the guarantee, EC officials said.

Russian presidential candidate, Mr Nikolai Ryzhkov (left) and his running mate, General Boris Gromov, arriving for yesterday's opening day of the republic's congress in Moscow.

The Russian leader, Mr Boris Yeltsin, struck a conciliatory note at the start of the congress which is to formally approve the introduction of an executive presidency, with elections expected on June 12, Reuter reports from Moscow. Mr Yeltsin, main political rival of President Mikhail Gorbachev, praised the central government for moving towards a partnership with the 15 constituent republics and accepting the idea of a market economy. "Changes are taking place and not only in Russia," he told the 1,000-strong Congress of People's Deputies. "Other republics are moving in the same direction. The centre has started to understand this."

He cited the landmark "nine-plus-one" agreement signed by Mr Gorbachev and the leaders of nine republics on April 23, which implicitly recognised increased autonomy for the republics. Mr Yeltsin, for his part, backed the Soviet president's economic recovery programme and supported calls for an end to strikes.

# France's industrial output declines

FRENCH industrial production fell sharply in March as warm weather reduced energy output, writes George Graham in Paris.

The industrial production index published yesterday by Insee, the state statistical service, showed a 2.7 per cent decline from the previous month and a 1.9 per cent drop from March 1990.

Insee said energy output alone dropped after a cold February by 15 per cent in March. With the exception of agricultural and food products, all other industrial sectors recorded higher production in March.

All the same, output levels for consumer goods, semi-finished goods, industrial capital goods and, above all, cars and household equipment, are still lower than a year ago.

# Jail for German chief executive

Mr Helmut Lohr, the former chief executive of Standard Elektrik Lorenz (SEL), the German telecommunications company, was yesterday sentenced to three years imprisonment for fraud, embezzlement, and tax evasion. His wife Franziska was fined DM100,000 on the tax charge, writes Andrew Fisher in Frankfurt.

Mr Lohr was arrested in January 1989 on charges which related mainly to the misuse of company funds to pay for a holiday villa in Majorca and improvements to his home near Stuttgart. He had then just been appointed senior vice-president for corporate development of Alcatel, the French parent of SEL. He had been the chief executive of SEL since 1976 and until his arrest was one of the most powerful men in West Germany's telecommunications sector.

# Sweden seeks food VAT cut

Sweden's Social Democrat government yesterday proposed cutting the VAT rate on food from 25 per cent to 18 per cent in response to election year criticism that the country has the highest food prices in Europe.

The proposal is part of an anti-inflation package designed to win support for a tight two-year national wage agreement that is in the final stages of negotiation. The government also promised to stabilise housing rents through mediation.

# Moscow and Bonn settle housing for soldiers row

By Leyla Boulton in Moscow

GERMANY and the Soviet Union will today announce an agreement settling a bitter dispute over housing for Soviet soldiers returning from eastern Germany.

The agreement, reached yesterday after two days of negotiation, means that foreign construction companies can begin building flats with funds provided by Germany after Bonn threatened to block the money.

The German government last year agreed to put up DM7.8bn for the construction of 36,000 flats in the Soviet Union as part of a DM15bn aid package to secure Soviet approval for a united Germany's inclusion in Nato.

Moscow plans to withdraw its 380,000 troops from what used to be East Germany by the end 1994 as part of the deal. But Moscow angered Bonn last month by deciding to award an initial batch of four contracts for 3,000 flats to Turkish and Finnish companies. Despite its initial agreement to select contractors for the project by open tender, the German government threatened to block the funds unless German companies were given some of the work.

Moscow argued however that the German offers were uncompetitive while the Turkish government for one protested that there was no point in holding an open tender if the best bids were rejected.

Details of the compromise agreement were not available last night but it is likely to entail the formation of international consortia involving German and other companies to carry out some of the work together.

It is possible however that the compromise does not radically alter the results of the first tender, awarding at least half the work to Turkish companies. The Economics Ministry in Bonn confirmed an agreement had been reached on the orders but declined to give details.

# EC investment in transport 'too low'

By David Gardner in Brussels

THE FUTURE of the EC economy is being menaced by totally inadequate investment in transport infrastructure, Mr Karel Van Miert, transport commissioner, said yesterday.

While the volume of Community freight traffic was set to double over the next two decades, current levels of investment were half what was needed, averaging annually less than 1 per cent of EC domestic product, the commissioner told a conference on the EC's "missing networks", organised by the European Round Table industrialists' group.

The conference called for infrastructure to be planned as "a single European network", backing the Commission's own proposals for a common infrastructure policy, submitted to the inter-governmental conference on political union.

Mr Van Miert said that at stake was "the competitivity of our industry, our economic growth, the living standards of our people, and the defence of our jobs". He promised a white paper on infrastructure by the end of the year. This is likely to include proposals for road pricing, and for separating railroad infrastructure from railway operators.

In an unusually hard-hitting speech, the Flemish socialist commissioner attacked "conservatives from another age" among the member states who try to "defend their privileges by stigmatising supposed Brussels bureaucratism".

● The European Commission plans to propose that mechanical speed limiters be made compulsory in all lorries and coaches travelling through the Community, Mr Van Miert also said yesterday, Reuter adds.

The proposal, being drawn up by Industry Commissioner Mr Martin Bangemann, is aimed at making enforcement of speed limits uniform throughout the 12-nation bloc. Speed limiters cut off a vehicle's fuel supply when a speed limit is exceeded.

A proposal to limit lorries to 80 kph (50 mph) on motorways has been consistently blocked by Germany and Britain but Britain recently announced speed limiters would be obligatory in all coaches and lorries from next August.

# 'Junk mail' directive under consideration

By Andrew Hill in Brussels

EUROPEAN consumers need some form of protection from sharp practice by unscrupulous mail order companies, the European Commission said yesterday.

Mr Karel Van Miert, the commissioner responsible for consumer protection, said he planned to produce a mail order directive in the next few weeks.

EC officials said the directive could extend to shopping by television and could also cover "junk mail" – the unsolicited and unwanted "special offers" which clutter up letter-boxes across the EC.

Details of the directive have not yet been worked out, but Mr Van Miert told a conference of Belgian mail order companies that whatever technology was used, consumers still had the right to information about what they were buying.

A directive would try to ensure that customers' liberty of choice was not restricted and that they were given a reasonable period to consider what they were buying.

Mr Van Miert said the advent of the single market would encourage cross-border shopping and meant there was a special need for such regulation. Less reputable mail order groups were inclined to use cross-border transactions as a way of wriggling out of legal obligations in other member states, he said.

# Polish army deployed for refuse collection

By Christopher Bobinski in Warsaw

THE POLISH army appeared on the streets of Warsaw yesterday for the first time since martial law in 1981 to shift rubbish that has piled up since a strike by waste collectors began last Thursday.

The authorities warned of an outbreak of disease from the accumulating rubbish, saying the capital faced "a massive presence of flies and vermin and a steady increase of rats and mice".

Bus and tram drivers joined the rubbish collectors' strike yesterday to back demands for wage increases of 50 per cent.

Private bus operators organised emergency services and traffic jams built up in the city as people used their cars to get to and from work.

The Solidarity trade union leadership in Warsaw came out in support of the strikers' demands and offered to mediate between them and the city authorities.

The strikers have rejected an offer of monthly pay rises of up to Zl 400,000 ($34) made to the three sectors.

The strike comes on the eve of a nationwide day of protest by Solidarity.

The aim of the protest is to get the government to recognise that deflationary policies should be reversed, that former Communist officials in the administration should be purged and that wage controls in the state sector should be gradually lifted.

Privatisation policies are also under fire on the grounds that they have been conducted without adequate consultation with workers.

Miners in the industrial area of Silesia are to stage a two-hour token stoppage and in Warsaw a mass rally is planned in the city centre.

# Commission rings the changes in dialling code

COMPARED with the outcry at the EC's intervention over the British potato crisp and the Spanish tilde, the Commission's moves against the plethora of Europe's international telephone dialling prefixes seem to raise few hackles, writes Andrew Hill in Brussels.

Brussels wants to harmonise them. So do members of the European parliament. And while they're about it, they also want to harmonise the Spanish, French, British, Irish and Dutch prefixes.

From 1993, European travellers should be able to dial a single code from any EC country and get access to the international network.

That code will be 00, already used in half the EC's member states.

The Commission's double-zero option seems unlikely to exercise Europe's telecommunications ministers for long when they debate the issue on June 3.

However, such was the hell raised by MEPs and the EC's popular press when those alleged scandals came to light that the Commission is taking no chances this time. Yesterday's statement spelt out the reasons for the prefix harmonisation in elaborate detail. In short, a single market demands a single prefix.

In case that is not enough to pacify fulminating politicians and pressure groups, Brussels is offering member states a six-year breathing space in which to adopt the 00 prefix if they are experiencing "technical, financial or organisational difficulties".

Such caution may well be justified. Even a tedious telephone prefix can be given an emotional charge if one tries hard enough. As one Brussels wag joked yesterday: "James Bond had to earn the double-0 prefix; now the Commission wants to impose it."

# Air controllers suspend strike

Soviet air traffic controllers yesterday suspended a threatened strike, Reuter reports from Moscow.

The Air Traffic Controllers' Union, whose members administer flights from the Baltic coast to the Pacific, said they agreed late on Monday on a 60 per cent average pay rise.

The offer fell short of their original 200 per cent demand, but the government conceded other issues such as a 36-hour week.

"In principle all questions have been resolved. The strike is suspended, but it can be resumed if they do not meet their pledges by August 10," a trade union spokesman said.

# Denmark cuts interest rates

Denmark's central bank, citing such economic factors as low inflation and sluggish growth, announced yesterday that it would cut two key interest rates by one-half a percentage point from Wednesday, Reuter reports from Copenhagen.

The cuts reduce the bank's key lending rate to banks to 9.5 per cent from 10 per cent and the deposit rate to nine per cent from 9.5 per cent.

The central bank said it would also cut its little-used discount rate to nine per cent from 9.5 per cent.

# East German collapse worse than forecast

By David Goodhart in Bonn

THE COLLAPSE in industrial production in east Germany at the beginning of 1991 was much more dramatic than previously believed, according to the first official figures released yesterday.

In the month of January alone, production fell by almost one quarter; it was 24.1 per cent down on December 1990 and 36.2 per cent down on the third quarter of 1990. Only in oil refining, iron working and textiles was production higher in January than December.

The main reason for the collapse, apart from the continuing uncompetitiveness of east German goods in relation to the west, was the sudden break in east bloc trade caused by the shift to hard currency.

Another reason for the especially sharp drop in January is that from the start of this year east German industrial production began to be calculated according to west German statistical standards.

● The average household in east Germany has one-fifth the financial assets of its west German equivalent according to a Bundesbank study.

The study discovered that the average household in the east has about DM20,000 ($11,695) compared with DM100,000 in the west.

Savings in the west come to a total of nearly DM3,000bn which is divided one-third each between cash or short-term deposits, longer term deposits and non-bank related savings (pensions, insurance).

Only DM170bn is invested in shares.

# Former PM arrested

MR Willi Stoph, the former East German prime minister, and three other former members of the National Defence Council (defence ministry) were arrested yesterday in connection with the murder of East Germans who tried to escape to the west, writes Leslie Colitt in Berlin.

They were charged with abetting murder in the second degree for their role in formulating a decree which ordered border guards to shoot indiscriminately at escapees.

# Competition no comfort for east Germans

**Leslie Colitt finds that the market economy has been a rude shock after Communism**

European Diary

Germany

Ms Christa Lapawczyk, a matronly east Berliner, sells everything from newspapers and pornographic magazines to coffee in the tiny shop she runs in the Glinkastrasse.

Some of her regular customers are former members of the ruling East German Politburo who moved into newly-built flats nearby and now buy Die Welt and other establishment newspapers. She regularly lets off steam by taking a swipe at the communists who "robbed us of our best years."

Recently, though, Ms Lapawczyk was troubled by something else. She spoke contemptuously about the "society of elbowers" which had come to east Germany along with the market economy.

She had never wanted to run her own shop under capitalism because of the brutal competition but this was worse than she had imagined. Sales plummeted after German monetary union last July and Ms Lapawczyk did not know how she would survive when the shop rent was raised. Before the old order collapsed in late 1989, she had a turnover of Marks 65,000 a month selling lottery tickets. But the east German lottery was wound up, like most other enterprises, and replaced by its powerful west German counterpart.

She lost most of her old customers when they were dismissed late last year by the nearby government ministries. The drop in business means she will not be able to take a holiday on the Baltic Sea this year for the first time in decades. Ms Lapawczyk confided that much as she treasured being able to stroll on the Kürfürstendamm in west Berlin, sometimes she wished the Wall had remained. "We had fewer problems and life was less complicated."

Mr Richard Lange has run his own plumber's shop in the Prenzlauer Berg district of east Berlin since the early 1970s. He recalled that under Communist rule he was deluged with work from morning to night and at weekends. Customers would pay him in hard currency just to get an appointment. He was able to build a nice home in the suburbs and could afford two cars.

Now the front door of his shop seldom opens. Many of his former customers are on short-time work and buy their own do-it-yourself plumbing kits in west Berlin. Mr Lange said he would probably go out of business soon if things did not improve. "I know a lot of small tradesmen like myself who boomed under the old system and are sinking fast now. If you think it over it's ironic isn't it?" he remarked.

Small private grocery shops in east Germany which managed to exist under the old regime are also struggling to survive. Their owners are being squeezed by the same supermarket chains which eliminated so many independent grocers in west Germany in the 1960s. Many of the 300,000 east German artisans, shopkeepers and restaurateurs who have set themselves up in business since January 1990 with the help of loans are unlikely to last long, an east German business federation forecast.

Their urge to be self-employed was nurtured under the Communist system when few of them could imagine what competition meant. Mrs Gisela Münzel, a Leipzig schoolteacher whom I have known for years, was one of the hundreds of thousands of Leipzigers who demanded the end of the Communist regime in late 1989 and called for German unity a few months later. She now feels "taken for a ride."

In the mid-1980s, when thousands of Leipzig families were applying to leave for the West, Mrs Münzel told me that she and her late husband, a physics teacher, could never leave their pupils "in the lurch."

Today, Mrs Münzel, in her early 60s, is sliding rapidly into economic and social oblivion. Her salary of DM1,100 (£370.30) is unchanged but prices for most staple goods and services have risen sharply since monetary union. The rent of only DM69 a month for her four-room stove-heated flat is to be tripled in July and she will not qualify for compensation. To top it all, the DM14 annual fee for her husband's grave was raised to DM92.

"People feel everyone is taking advantage of them, from the Treuhand (the privatisation agency) to the sharp car dealers and the Western gougers who sell over-priced products in the streets," Mrs Münzel complained.

But the worst aspect is the rapid social decay. Bands of punks and skinheads, wielding guns from the West and threatening the lives of anyone with a dark skin, roam the streets of Leipzig at night, in a city which used to be among the safest anywhere. West German pimps have moved in to control the fast-growing Leipzig prostitution scene.

Mrs Münzel's teenage pupils, who face a severe shortage of apprenticeships in a collapsing economy, have lost interest in school. Mrs Münzel said it hurts deeply to see what is happening. She even wondered whether the toppling of the hated Communist system had really been "worth while."

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# Colombian drug traffickers free captives

By Robert Graham, Latin American Editor, in London

COLOMBIAN drug traffickers have released two prominent kidnapped journalists amid suggestions that Mr Pablo Escobar, the country's most wanted mafia boss, is ready to hand himself over to the authorities.

The two journalists, Mr Francisco Santos, news editor of El Tiempo, Colombia's leading daily newspaper, and Ms Maruja Pachon, director of the national film institute, were released late on Monday in Bogota.

Mr Santos was quoted as saying yesterday: "All that's required is good sense and tact, and I think the surrender of Escobar is imminent."

Mr Escobar is the leading figure in the Medellin cartel, which controls more than two thirds of the cocaine business.

Mr Santos had been held for eight months and Ms Pachon for six months in the name of the "extraditables" – the term used by the traffickers to protest against a 1984 extradition treaty with the US.

They were the last of eight journalists to be freed after the extraditables began a series of kidnaps last August to pressure the government to soften its war on the drugs business.

Eight hostages were freed unharmed but Diana Turbay, daughter of a former president, was killed during a police rescue attempt and Marina Montoya, sister of e former presidential aide, was murdered by the traffickers.

A constituent assembly is discussing a new constitution which is likely to revoke the extradition treaty. This is the traffickers' principal pre-condition for agreeing to dialogue with the government.

On Sunday the traffickers said they would shortly release the two journalists, both from well known families linked to the ruling Liberal Party, in response to madiation by Father Rafael Garcia Herreros, a Catholic priest. The latter is understood to have had a recent meeting with Mr Escobar.

This suggests that the government has sanctioned some sort of deal whereby Mr Escobar would go to a safe Colombian prison for e limited period instead of being extradited to the US if he hands himself over.

# Mexican migrants hang on to modest dreams

**Barbara Durr** on prospects under a free trade deal

JUST a few miles from the plush homes and manicured lawns of the southern California town of Del Mar, several dozen shacks made of tar paper, rubbish bags and scrap wood huddle along a polluted stream.

Unable to afford better, some 250 Mexican migrant workers live in this squalid camp, e third world eyesore in the middle of the first world.

Mr Alejandro Vernal, a 25-year-old migrant from Mexico's southern state of Guerrero, has been at tha camp for four months. He does not know how long he will stay.

"It's a question of finding work," he says. Mr Vernal, like others at the camp, seeks the temporary jobs on offer in the area for plant nurseries, construction or window washing.

Although he hopes to save a small sum and return home, his 42-year-old camp companion, Mr Armando Salais, seems to be evidence of the impossibility of that modest dream. Mr Salais, a well-spoken, industrious man, has lived in snch camps across the US for 21 years.

Maxican migrant labour, whose plight is often shocking, is considered key to the US economy, particularly in the south-west. In spite of this intimate link between the two countries' economies, the issue of Mexican immigration into the US is so highly charged that it has been left out of the proposal for a free trade agreement (FTA) between the US and Mexico.

Immigration, none the less, hovers on the margins of the FTA debate as this week both houses of the US Congress decide whether to grant President George Bush "fast track" anthority to negotiate the treaty. An unspoken threat by advocates of the FTA is that if an accord is not reached, the lack of economic opportunities at home will push hordes of Mexicans over the border.

"If they don't have the options they'd have under an FTA, they would look for opportunities in the US. That's e fact," says Mr Enriqua Loaeza Tovar, the consul general of Mexico in San Diego. "It's just a geo-political reality we have to face."

Last year the US border patrol apprehended more than 1m people trying to cross illegally from Mexico to the US. Border patrol officials estimate that for each person they manage to catch, at least one slips through.

Many do not stay because of harsh working and living conditions, homesickness and American racism; but Professor Douglas Massey of the University of Chicago's Population Research Center calculates that some 3.5m Mexicans, or about 5 per cent of Mexico's population in 1980, came permanently to the US during the last decade.

Between 1980 and 1989 the US received *700,000 legal Mexican* immigrants, amnestied 1.2m others under special legislation and legalised another 1m agricultural workers. A further 500,000 or so settled without the benefit of the amnesty. Hispanics (those of Mexican ancestry are the biggest proportion) are the fastest growing minority in the US.

Mr Massey concludes: "Many people don't realise how integrated the US and Mexican economies already are." But he says that both Washington and Mexico City want to sweep the issne under the rug. "It's a political bombshell."

Its explosiveness lies partly, he says, in the fact that greater labour mobility is likely to be at least an initial result of a FTA. For example, Mexican agriculture's efforts to compete in the American market could tend to drive it toward greater capital intensity, displacing farm workers. These workers would then swell the surplus Mexican labour pool that spills into the US.

This would exacerbate tensions with American labour unions, which oppose a FTA with Mexico, and spark anti-Mexican feeling. Americans have long harboured fears of being overwhelmed by non-European foreign immigrants. In the year that he has been in San Diego, Mr Loaeza has already had to deal with several fatal shootings of Mexicans both by US private citizens and law enforcement agencies.

Mr Jorge Bustamante, e specialist in immigration at the Colegio de Frontera Norte in Tijuana, Mexico, agrees that the labour market is already binational. However, he complains that the US government *insists on treating immigration* as a criminal matter instead of dealing with it as an economic issue.

Mexico says it wants to export prodncts not people, and Maxicans themselves would prefer to work in their own country and culture, close to friends and family.

At the camp on the outskirts of Del Mar, migrants were hopeful that the FTA would be approved. They wanted their land to prosper and perhaps offer enough hope to bring them home.

Illegal aliens: last year 1m were caught trying to cross into the US from Mexico

# Research group warns of delay in Canadian upturn

By Bernard Simon in Toronto

THE prolonged slump in Canada's resource and manufacturing industries is likely to delay an economic upturn until the second half of this year, according to the latest forecast from the Conference Board of Canada.

The board, a leading independent economic research group, has lowered its forecast for Canada's economic performance this year. It now predicts that gross domestic product will shrink by 1.1 per cent in real terms, compared to its previous forecast of a 0.1 per cent contraction.

However, it expects the economy to recover more evenly in 1992, with growth of 3.5 per cent. GDP edged up by 0.9 per cent in 1990.

The board ascribed its pessimism to weaker-than-expected exports and deep cuts in inventories levels.

Nawfoundland, the poorest of Canada's 10 provinces, is expected to post the strongest growth this year, with output up 2.2 per cent thanks to the development of the Hibernia offshore oil field and a turnround in the fishing industry.

By contrast, output in Ontario and Quebec, the two most industrialised provinces, is set to shrink 1.4 per cent. British Columbia, which relies heavily on forestry and mining, will suffer a 1.8 per cent decline in domestic product.

● The Royal Bank of Canada has said it will cut its prime rate to 9.75 per cent from 10.25 per cent, effective May 22, Reuter reports from Toronto.

# President threatens resignation

By Joe Mann in Caracas

MR CARLOS Andres Perez, Venezuela's president, was yesterday reported in the local press as having threatened to resign or to govern without his ruling party, as a result of en acrimonious dispute with his party over a wage issue.

Earlier this month, the administration decreed a 15 per cent national wage hike for private sector employees not covered by collective bargaining agreements.

However, the country's largest organised labour group, the CTV, demanded a 45 per cent increase, while leaders of the president's own party, Democratic Action (AD) also supported a much higher pay rise.

Mr Perez, angered by his own party's almost constant opposition to his eocnomic reform programme, reportedly said that if a 45 per cent wage increase was mandated by the government, "the country is finished".

The wage debate reflects a serious confrontation between Mr Perez, who is trying to push ahead with an unpopular economic reform plan and political groups – spearheded by members of his own political party – who wish to derail the plan and force the government to relive a period of heavy state intervention in the economy.

# Aylwin rules out torture in fight against terrorism

PRESIDENT Patricio Aylwin has pledged to fight the remaining pockets of terrorism in Chile without resorting to torture or other inhuman methods used by General Augusto Pinochet, his predecessor, writes Leslie Crawford in Santiago.

In his state of the nation speech Mr Aylwin said yesterday his government would use a combination of force and forgiveness to dismantle a handful of left-wing guerrilla cells that refused to lay down arms following the restoration of democracy last year.

Since the assassination of Senator Jaime Guzman, a right-wing leader, in April, Mr Aylwin has been under pressure to adopt a more energetic stance against left-wing violence.

However, human rights groups fear the president may hand over the anti-terrorist fight to Gen Pinochet's army – less than two months after an official report accused the military of human rights violations.

The armed forces have been granted a "consultative role" in a newly-created Council of Public Security.

However, Mr Aylwin did not clarify how deeply military intelligence would be involved in countering extremist groups.

Mr Aylwin announced a series of constitutional reforms to dismantle the legacy of the military regime. Direct elections for mayors and municipal councils will be held in 1992, for the first time in almost two decades.

On the economy, Mr Aylwin said an anti-inflation plan enforced last year would allow Chile to grow at a sustainable annual rate of 5 per cent from 1991. But he said Chile remained vulnerable to the price changes of its main exports – copper, fishmeal, fruit and cellulose.

He urged Chilean businessmen to modernise and diversify their exports. "Chile must enter into a new phase of export development that emphasises better, more sophisticated, products," he said.

# Jamaican banks reopen

JAMAICA'S central and commercial banks reopened yesterday after a one-day strike, called in protest over a government plan to levy income tax on the cut-rate mortgages the sector's workers receive, writes Canute James in Kingston.

Union representatives are to discuss the issua with the Finance Ministry. However, the situation is still unsettled, and the banking employees' union has threatened another strike unless the tax plan is withdrawn.

The government scheme was aimed at helping to close a \$56.7m (£32.9m) budget gap.

● Uruguay's trade unions brought the country to a virtual standstill yesterday with a 24-hour general strike called to protest government wages policy, writes John Barham in Buenos Aires. Most shops, banks, factories and public buildings were closed for the day.

# Australian dollar off after call to devalue

By Kevin Brown in Sydney

THE Australian dollar fell by nearly half a cent against the US dollar in local trading yesterday after Mr Bernie Fraser, governor of the Reserve Bank of Australia, invited the markets to devalue the Australian unit by 5 per cent.

Mr Fraser said in an interview that an "orderly" devaluation of 5 per cent would help reduce the current account deficit, currently running at an annual rate of about A$17bn (£7.6bn).

His comments helped push the Australian dollar down from 78.13 US cents at the start of trading to close at 77.65 US cents.

Mr Fraser said the bank was not trying to talk down the dollar. The government has, however, come under strong pressure from farmers' organisations to boost export competitiveness by reducing the value of the currency.

Mr Fraser also said he expected further falls in nominal interest rates if inflation continued to fall. The bank cut official money market rates to 10.5 per cent last week after the annual rate of inflation fell two percentage points to 4.9 per cent.

Official interest rates are widely expected to fall by a further half-point within the next two months.

In a separate announcement, the bank confirmed that it would tender A$1.2bn of Treasury stock next week, following an offering of A$800m last month.

The bond issues – the first for two years – reflect the government's need to tap the local capital markets as its forecast budget surplus falls under the pressure of slow economic growth.

The 1990-91 surplus was originally estimated at around A$8bn, but it is now likely to be A$1.7bn at the most, as a result of five consecutive quarters of low or negative growth.

The bank also said it would undertake "significant" bond issues for the Treasury in the next financial year, which begins in July.

# An end to 14 years of poverty and terror

## Ethiopian ruler Mengistu celebrated as his people starved, reports Julian Ozanne

FOR THE 14 bleak years he ruled Ethiopia, Mengistu Haile Mariam violently stamped his rigid personal vision of Marxism-Leninism on a people cowed by years of bloody terror and regimented by club-yielding party apparatchiks.

His departure yesterday under pressure from the US, Soviet Union, other African countries and the weight of sweeping rebel victories, gives Ethiopia the chance for renewal and reconstruction.

As Mr Mengistu pumped millions of dollars and thousands of teenage lives into an unwinnable war with rebel groups and set about building a Stalinist state and developing his own personality cult, Ethiopia slid further into absolute poverty and recurring famine.

A chilling portrait of Africa's most reviled dictator since Idi Amin was revealed in the memoirs of Mr Dawit Wolde Giorgis, a former member of the central committee of the Worker's Party of Ethiopia who defected to the west in 1985.

"Mengistu maintains his power like Stalin, through force, intrigue and manipulation. He rules by decree, enforcing his will through small groups of loyal henchmen, secret police and terrorist squads placed in nearly every government agency," wrote Mr Giorgis.

Mr Mengistu, a slightly built soldier with a stern, steel gaze, was a prominent member of the army cabal which seized power in 1974 from Emperor Haile Selassie. Then an obscure major with a reputation as e bar-room brawler who won fights because he did not hesitate to hit first, he was quickly chosen as the first vice chairman of the Provisional Military Administrative Council which ruled Ethiopia between 1974 and 1977.

Behind the scenes Mr Mengistu, who increasingly spoke in revolutionary slogans and Marxist cliches, was constantly manoeuvring for absolute power and liquidating potential sources of opposition. On February 3 1977, when opposition to his bloody tactics was gaining ground, he had his bodyguards arrest all his enemies at a meeting of the council. They were later executed.

He quickly set about consolidating his power, arming his supporters and unleashing extraordinary violence against his opponents. Arbitrary executions, public lynchings and street massacres were common.

In 1977 Somalia invaded Ethiopia, penetrating 450 miles into Ethiopian soil. As Ethiopian officials panicked and urged the government to negotiate a ceasefire Mr Mengistu displayed the kind of quality which was to keep him in power for so long: an ability to remain cool in the midst of crisis.

He assumed responsibility for raising e 300,000-strong peasant army and persuaded the Soviet Union and Cuba to pull out of Somalia and back his regime with a massive airlift of arms and military advisers. The Somalis were soon defeated, despite receiving US help as Washington jostled with Moscow for influence in the strategic Horn of Africa.

Mr Mengistu's appeal to Ethiopian nationalism, a deep-rooted sentiment in a nation which has never been colonised, was crucial during the war with Somalia. Later he used the same appeal to shore up his crumbling dictatorship by launching military campaigns against northern rebels he castigated as "bandits" and "traitors" bent on dismembering the country.

His inability to negotiate with the rebels sowed the seeds of his own destruction. Parents whose teenage sons were press-ganged into the army grew discontented, the military demoralised by a war which seemed unending, the Soviets embarrassed and the rebels increasingly euphoric as they took control of large slices of territory. Finally, the US and other African countries grew tired of the chaos his regime provoked.

The unflinching barbarity of Mr Mengistu's regime was most powerfully demonstrated during the Ethiopian famine of 1983-1984. As fertile fields turned to dust and thousands of emaciated refugees trekked into shabby shelters where there was no food, Mengistu concentrated on the 10th anniversary celebrations of the revolution. Millions of dollars were spent putting up red flags and pictures of Mr Mengistu, Marx and Lenin and on sprucing up Addis Ababa for four days of pageantry, banquets and self-congratulation.

During a five-hour speech before African presidents and foreign dignitaries Mengistu praised the achievemants of the revolution, not once mentioning the mass etarvation throughout the countryside.

What was most remarkable about Mr Mengistu was that he managed to cling to power so long, weathering several assassination attempts and an abortive coup d'état in 1989. But mounting international pressure eventually proved too much even for such a wily street fighter as Mengistu.

Mengistu: built on a reputation as a bar-room brawler

## Ethiopia, the world's poorest country, has only two choices: reconstruction or implosion

# Mengistu's flight brings opportunity for rebuilding

THE FLIGHT of President Mengistu Haile Mariam yesterday from his war-torn nation could pave the way for the renewal and rehabilitation of Ethiopia, after 14 depressing years of civil war and economic decline.

For the first time since Mr Mengistu eeized absolute power in 1977 there is now en opportunity for the country to end a 30-year internal conflict, establish a stable pluralistic political system, and embark on the long overdue process of fundamental economic reform.

The future of Ethiopia hangs in the balance. Implosion or reconstruction are the two choices facing the country.

The country is in pieces. Huge slices of territory are under rebel military control, nearly 6m people face acute starvation, foreign exchange reserves are depleted and the whole social, economic and political fabric of Ethiopia is torn.


The civil war, supported by an estimated $10bn (£5.7bn) to $14bn of Soviet military aid in the days of the Cold War, has drained the economic potential of the country and blighted an entire generation, many of whom were either press-ganged into black Africa's biggest army or forced to flee the country. Much infrastructure has been destroyed and millions of people no longer have access to education, health and development efforts.

Years of coercive rule by the Marxist-Leninist Workers' Party of Ethiopia have damaged the political community and national identity that existed before Mr Mengistu took power. Desires for regional and ethnic autonomy, or even independence, have been radically sharpened since 1974. Personal initiative and free expression of opinions were buried in an orgy of bloodshed in the mid-1970s as Mr Mengistu consolidated his hold on power.

The economy, dependent on coffee exports, has collapsed under the pressure of civil war, which consumed 60 per cent of the budget and the $500m-$600m foreign exchange earnings. External debt is at least $3bn.

Years of socialist agricultural policies – land nationalisation, collectivisation, controlled prices, state-run marketing boards and limitations on internal trade – have exacerbated food and security problems and compounded poverty.

Ethiopia, with an annual per capital income of less than $100, is the poorest country in the world.

On top of this depressing picture, nearly 6m people are on the brink of starvation this year in drought-devastated villages. The famine victims depend on a massive relief effort which could easily collapse in the face of continued fighting or the break-up of administrative authority in the capital.

Hopes for a political renewal are thin. The population has been cowed and intimidated for years by the security forces and the tight control on their lives exercised by the party urban and rural associations.

"Mengistu destroyed hope," says Mr Abdul Mohammed, an Ethiopian exile in Nairobi. "For years people have known nothing but fear, war, militarism, suspicion, betrayal and violence. He killed the future.

Population: 42.2m.
Area: 1.22m square km (471,800 sq miles)

Conquered by Italy in 1936; defeated by allied forces in 1941

Eritrea, under British administration,handed over to Ethiopia on Sept 15 1952 in accordance with UN resolution.

Federation became a unitary state November 14 1962

Provisional military government assumed power Sept 12 1974

Mengistu became chairman of the provisional military administrative council Feb 3 1977

Federation made up of 14 regions: Arussi; Bale; Eritrea; Gemu Gofa; Gojam; Gonder; Hararge; Illubabor; Kefa; Shoa; Sidamo; Tigray; Wollega; Wollo.

It will take a miracle to regain the optimism that is necessary to rebuild the country."

But that kind of optimism is now vital if Ethiopia is to be saved from disintegration and massive loss of life, either from continued fighting or famine, is to be averted.

The new government, led by Lt Gen Tesfaye Gebre-Kidan, has offered a ceasefire and a transitional government. These proposals will form the basis of US-sponsored talks in London between all sides next Monday or Tuesday.

"The essential thing was that Mangistu had to be removed before a more realistic approach could be taken to the talks," said one senior US official. "The first big piece in the puzzle is now in place."

All groups have accepted the broad idea of an interim transitional government which will pave the way for a ceasefire and internationally monitored democratic elections.

If the few differences which remain can be thrashed out, Ethiopia can pull itself back from the brink of national annihilation, and begin on the long and difficult path of reconstruction.

**Julian Ozanne**

# Five polls cancelled in Indian election

By David Housego in New Delhi

INDIA'S election commissioner yesterday cancelled voting in five of the 204 constituencies that had polls – just hours before the report that Mr Rajiv Gandhi, the Congress leader and former prime minister, had been killed.

Mr T N Seshan, the commissioner, took the step in the wake of unprecedented violence and vote-rigging in the election.

The only other occasion since independence that violence or electoral fraud had caused such a cancellation was during a state assembly by-election in Haryana in 1990.

The "countermanding" of the poll means the whole election in those areas from nomination of candidates will be held afresh.

Before the attack on Mr Gandhi, more than 50 other people were killed on Monday, mostly in the northern state of Uttar Pradesh and Bihar. In countless places electors were unable to vote after armed party activists seized control of polling booths. Meerut and two other towns in Uttar Pradesh where Hindus and Moslems clashed in serious riote remained under curfew yesterday with the population confined to their homes.

Mr Seshan announced that he had cancelled the election at Patna and Purnea in Bihar, and at Etawah, Meerut and Bulandshahar in Uttar Pradesh.

The move marked a severe reprimand for the chief ministers of the two largest states in the country, who stand implicitly accused of being responsible for some of the worst incidents of ballot rigging.

Patna, the capital of Bihar, is the most prestigious constituency in the state where Mr Laloo Prasad Yadav, chief minister, pledged that he would have Mr IK Gujral, the former foreign minister, elected as the Janata Dal candidate.

In Uttar Pradesh, Etawah is the home base of Mr Mulayam Singh Yadav, the chief minister, who is also standing for re-election from one of the state assembly seats within the Etawah boundaries.



# Free speech laws urged for Taiwan

By Peter Wickenden in Taipei

THE Taiwanese government is under growing public pressure to follow up its recent electoral and democratic reforms by removing curbs on free speech.

More than 15,000 people marched through Taipei on Sunday protesting at the May 9 arrest and indictment of four people on sedition charges for allegedly plotting to overthrow the government, and joining a Japanese-based organisation that supports making Taiwan separate from mainland China.

Both Taiwan's Nationalist government and the rival Communist regime in Peking claim sovereignty over China but agree that the capitalist island is still a Chinese province. In Taiwan, advocating independence is punishable with between seven years and life in prison.

The arrest of the four came soon after Taipei's move on May 1 to recognise the existence of the Peking regime and push through electoral reforms, and to send the first semi-official delegation to the mainland in 40 years.

The Taiwan government denied opposition charges that it suddenly clamped down on growing open support for independence in order to placate Peking.

Several hundred students continued blocking traffic in Taipei yesterday after Sunday's march dispersed peacefully. On being allowed into the legislature, they urged lawmakere to abolish all remaining sedition laws.

Riot policemen sleep on their shields in a Taipei street yesterday morning after staying awake all night during a student sit-in

# Israel begins new Jewish Golan Heights settlement

By Hugh Carnegy in Jerusalem

ISRAEL yesterday established a new settlement on the Golan Heights, the strategic border ridge captured from Syria in 1967.

The move comes amid growing concern by Israeli government ministers about a treaty due to be signed today cementing close ties between Syria and Lebanon.

Mr Ariel Sharon, the housing minister who as defence minister launched Israel's invasion of Lebanon in 1982, said the building of Canaf, on a peak east of the Sea of Galilee, was part of a government plan to double the Golan's present Jewish population of 12,000.

He said the intention – as with a similar accelerated settlement effort in the occupied West Bank and Gaza Strip – was to tighten Israel's grip on the heights, which it virtually annexed 10 years ago. The US says the settlements are an obstacle to efforts to convene a Middle East peace conference.

Both Washington and the Arab side want Israel to give back captured territory in exchange for peace, but the government rejects this. Mr Sharon believes additional settlement will narrow the chance for any "land for peace" deal.

Mr Sharon also joined in warning against the "brotherhood, co-operation and co-ordination" treaty due to be signed by President Hafez al-Assad of Syria and Lebanon's President Elias Hrawi in Damascus today. Israel sees the accord as a dangerous formalisation of Syrian control over Lebanon.

## Egyptian oil minister replaced

EGYPT'S oil minister since 1984, Dr Abdel-Hadi Qandil, has been replaced by the head of the state oil company, one of a number of changes this week in the run-up to a long expected cabinet reshuffle, Tony Walker writes from Cairo.

The new minister is Dr Hamdi al-Banbi. His appointment was welcomed by oil industry executives.

A foreign oil company representative said the choice was good for Egypt. "Everybody is pleased," he said. "Dr Banbi is not a pharaoh. He will help establish a productive working environment." Dr al-Banbi faces a difficult task marshalling Egypt'e dwindling oil resources.

# Kuwaiti collaboration trial delayed

By Our Middle East Staff

KUWAIT yesterday adjourned its second trial of people accused of collaboration during the Iraqi occupation, to allow lawyers time to examine the evidence.

The trial of 24 people accused of working for a pro-Iraqi newspaper was adjourned until June 1. The hearing was the second in a series expected to involve more than 300 people charged with collaboration.

The adjournment followed a threat by defence lawyers to withdraw from the trial unless they were given a chance to examine testimony given by the accused to police and military interrogators.

It also came a day after expressions of concern from the US that the trials were not following due process.

President George Bush urged Kuwait on Monday to be as compassionate as possible in trying alleged collaborators despite hitterness over Iraq's invasion.

Six people were handed stiff sentences on Sunday for complicity with the Iraqis, but defence lawyers complained that neither evidence nor witnesses had been presented to support the prosecution. Some claimed that confessions had been exacted physically from the defendants.

Before yesterday's adjournment, all 22 who appeared in court – two were being tried in absentia – pleaded not guilty to collaborating with Iraq by working for the *Nidaa* newspaper, Iraq's mouthpiece in Kuwait during the occupation. The charges could carry the death penalty.

## ANC DEMANDS STRONGER CURBS ON TOWNSHIP VIOLENCE

THE African National Congrese has made new demands over measures to end townehip violence, and it seems likely to reject a compromise involving banning the carrying of tribal weapons such as spears, Patti Waldmeir writes from Johannesburg.

After publicly demanding that spears be banned in public places, ANC officials have now extended this demand to cover all dangerous weapons, and are insisting that it be imposed countrywide.

On Monday, President FW de Klerk of South Africa won the agreement of Zulu leaders to ban spears in designated "unrest areas" where most of the recent killing has taken place.

Mr Nelson Mandela, ANC deputy president, said yesterday: "There can be no compromise on the position that all weapons be banned countrywide."

Relations between the ANC and Pretoria have deteriorated in recent weeks, with the ANC several times ehifting its demands just at the point when Pretoria seemed ready to meet them.

# Returning Iranian exiles will face mixed reception

By Scheherazade Daneshkhu

THE son of the late Ayatollah Ruhollah Khomeini has denounced some of Iran's most senior officials for meeting Iranian exiles in Washington to try to persuade them to return home.

Seyyed Ahmad Khomeini, son of the founder of the Islamic Republic, accused the government of wanting to return Iran to the pre-revolutionary era.

"Holding meetings with fugitive capitalists turns the country into the Iran of the Shah's era," he said. "What sort of a policy is this that we join ranks with US-based capitalists ostensibly to serve our people?"

The outburst was provoked by an unusual meeting this month at the Marriott Hotel in Washington. Mr Mohsen Nurbakhsh, Iran's finance minister, and Mr Mohammad Hossein Adeli, the central bank governor, met 400 Iranian businessmen and academics living in the US, and asked them to return home.

Iran is facing an acute skills shortage and the government of President Ali Akbar Hashemi Rafsanjani has all but admitted that it cannot cope with the enormous task of reconstruction on its own.

Many Iranians fled the country at the time of the 1979 revolution; they have since been joined by others who find the economic and social conditions in Iran too difficult to endure.

Mr Kamal Kharazzi, Iran's ambassador to the United Nations, who chaired the meeting, said it was an attempt to build bridges between Iranians living inside the country and those outside.

The meeting came just days after Mr Rafsanjani ordered Iran's embassies and consulates worldwide to be helpful to Iranians who showed an inclination to return.

Iran, which suffered a shortage of skilled labour even before the revolution, is now worse off than ever. Schools and universities have been stretched by a population up from 36m 12 years ago to 55m today.

Low productivity, high inflation, bureaucracy, corruption and inefficiency are the main problems.

In December, Mr Adeli expressed regret that "a lot of state-production management is not efficient. State factories must stand on their own feet or else the government will hand them over to a better management."

But better management is scarce. Ideological and practical difficulties restrict the chances of importing a skilled workforce.

The cheaper and quicker solution is to attract back professional workers who live abroad but would be happy to serve in the country of their birth if social conditions allowed.

Many Iranians are fearful of being considered "counter-revolutionaries" for having held senior positions under the Shah.

Mr Nurbaksh was asked in Washington how people could return without fear of arrest or of being prevented from leaving the country. He revealed the existence of a list of 37,000 people wanted for tax evasion, which he said had now been annulled.

Mr Nurbakhsh said he wanted to encourage the exiles to invest in Iran, and would place guarantees for them in Swiss banks to protect their investments. It is clear that the government would like to see its foreign exchange income boosted by persuading the exiles to repatriate some of the huge amounts of capital that made a swift exit in 1979.

More than a decade has passed since the revolution. A spirit of compromise is beginning to emerge, and the government is even holding secret consultations with officials of the Shah's era on the problems of the economy. "They don't act on what we say but they are listening," said one participant.

While many expatriates are keen to return, few are likely to do so until they feel confident that the government is able to exercise its authority. Mr Khomeini's outburst against Mr Rafsanjani's policy will have convinced many of them that it is still too soon to return.

## WORLD TRADE NEWS

# Quayle turns up the heat in Japan rice market row

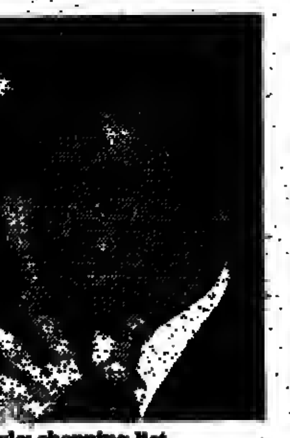
By Robert Thomson in Tokyo

US Vice President Dan Quayle left Japan yesterday, having turned up the heat in the debate on opening the country's rice market, but without a clear assurance from Japanese politicians that rice imports would be allowed.

Japanese politicians and bureaucrats have decided that the market should be opened as part of the present round of Gatt negotiations, but they are still wary of announcing their decision for fear of alienating the country's politically-influential farmers.

Mr Quayle explained to Japanese leaders that an early announcement of rice reform would be a significant contribution to the difficult Uruguay Round negotiations on agriculture, but the Japanese responses were vague, and generally indicated that Tokyo would not make a concession until the EC and US settled their agricultural differences.

Mr Quayle brought a "shopping list" of trade complaints from Washington, and asked for increased imports of US cars, an increase in the use of US components in cars made by Japanese companies in the US, and reforms to Japan's complex distribution system.



Quayle: shopping list

He breakfasted with fivs senior members of the ruling Liberal Democratic Party, and said that "all agricultural products" should be placed on the negotiating table. The Japanese politicians later gave separate press conferences and played to the local andience by suggesting a rice market opening was a "difficult question".

They insisted that the matter should be considered not as a bilateral dispute between the US and Japan, but as part of the multilateral debate on agriculture.

Mr Motoji Kondo, the agriculture minister, announced that a "political decision has not been taken" on rice, although it is now widely known that the Japanese government will eventually propose imports be restricted to 3 per cent of total Japanese consumption.

A senior LDP parliamentarian, Mr Shin Kanemaru, said at the weekend that Japan would have to open the rice market partially, and warned the country's economy would be seriously damaged if the US eventually imposed bans on imports of cars, electrical appliances or machinery.

# US-EC split 'delays Gatt talks'

By William Dullforce in Geneva

A FUNDAMENTAL difference of approach between the US and the EC remains the major problem in bringing the Uruguay Round trade talks to a successful conclusion, a leading representative of US business said yesterday.

The EC believed only a modest outcome was now possible, but the US still aimed for substantial results in all original 15 areas under discussion.

In particular, the US was prepared to "walk" rather than take half a loaf on the crucial liberalisation of the $770bn (£452bn)-a-year world trade in services, said Mr Harry Freeman, executive director of the MTN Coalition, a big business group claiming to represent over 14,000 US companies.

Mr Freeman's assessment was delivered at a international seminar on global services two days before the US administration hopes to secure from Congress renewal of President Bush's "fast-track" authority to negotiate trade agreements.

Congress's hard-won approval is seen as opening the way for the re-start of the four-year trade talks which broke down over world farm reform at Gatt's ministerial meeting in Brussels in December. Mr Frans Andriessen, EC Trade Commissioner, has repeatedly warned other countries to lower their farm reform hopes. But Mr Freeman made it clear the fundamental split between the US and the EC concerned more than agriculture.

With the Soviet Union, China and the countries of Eastern Enrope poised to become full Gatt members, "we want to write now the trade rules for the whole world, not that half Gatt now covers," Mr Freeman said. The US saw the Round as providing an opportunity for a breakthrough in liberalising traditional Gatt areas and new ones, such as services, intellectual property and foreign investment.

The EC was according lower priority to the multilateral trade talks than to its own monetary union and other internal issues. Conventional wisdom in the US was that US business, the Bush administration and Congress were not likely to accept the "mini"-agreement in the Round sought by the EC.

In services, Mr Freeman said, the US wanted a comprehensive accord among a large number of countries. The accord should:

- Liberalise as many sectors as possible; be incorporated into Gatt, not become a separate agreement.
- Allow countries falling victim to protectionist measures in services to obtain remedy in the field of goods; leave no work to be done in some future Gatt round. "In sum, we want it all now, in this Uruguay Round," Mr Freeman said.

In contrast to farm reform, where Brussels is seen as the primary obstacle, the US has been widely accused of blocking progress in services by insisting that Gatt's non-discriminating most-favoured-nation (MFN) principle should not apply to all sectors.

The US would accept the principle of unconditional MFN treatment, as long as there was true liberalisation, Mr Freeman said. But he offered no concessions on shipping and telecommunications, two sectors for which the US has sought exemptions from MFN.

All countries would make reservations in some areas, Mr Freeman added. The Bush administration had stood up to domestic lobbies for textiles manufacturers, dairy, peanut and sugar beet farmers and the AFL-CIO unions, to advance the trade talks. But US businessmen constantly heard the EC could not act because of domestic political considerations.

# S Korea's socialist trade grows

SOUTH KOREA'S trade with socialist countries is continuing to grow rapidly as exporters take advantage of improved diplomatic ties and pursue market diversification strategies, the Trade and Industry Ministry says, John Ridding reports from Seoul.

In the first quarter of this year, South Korea's trade with the socialist world grew 46 per cent to $1.29bn (£758m) on a customs-cleared basis. Trade volume is projected to reach about $7bn for the whole year.

For the first three months, exports to socialist countries increased 55 per cent to $526.67m. Imports rose 41 per cent to $763.35m. Exchanges with socialist countries are the fastest growing area of South Korean trade, encouraged by the setting-up of diplomatic ties with the Soviet Union at the end of last year, and exchange of trade offices with China earlier this year.

China continued to be South Korea's single biggest trading partner and an important supplier of raw materials to Seoul. Trade with the Soviet Union rose 41 per cent to $246.3m in the first quarter.

# OECD still deadlocked on export credit rules

By Peter Montagnon

TOP officials from industrial countries, meeting at the Organisation for Economic Co-operation and Development (OECD) in Paris, again failed to reach agreement on reforms to export credit rules.

Ministers at the OECD annual meeting next month must now take a final decision on the reforms which could transform the financing of capital goods exports to the developing world.

A draft package involving tough new curbs on tied-aid credits – export credits sweetened with development aid – and elimination of subsidies on routine export credits to middle-income countries, is now firmly on the table, with final details not quite in place.

Last-minnte amendments narrowly failed to satisfy nations such as the US, anxious about the rising use of tied-aid credits by Japan and several European nations, including France, Italy and Spain. One worry remains the enforceability of the package.

Mr Eero Timonen, the Finnish export credit official who heads the OECD's export credits consensus, will take more soundings before submitting the proposed reforms to ministers. Bankers fear the export credit subsidy war will get worse, unless ministers act.

Delegates said the draft package resembles the one discussed in April, which would effectively ban the use of tied-aid credits for projects otherwise commercially viable. Tied-aid would only be allowed if the aid element constituted 80 per cent of the financing, making such credits prohibitively expensive.

But the April package was amended to drop a suggestion that a similar rule should apply to all large projects regardless of commercial viability. Instead, the 80 per cent rule would apply to all credits to upper-middle-income countries. The OECD no longer proposes ending subsidies on credits to the poorest countries. Maximum interest subsidies on such credits would be cut another 0.3 percentage points. The 80 per cent rule would also not apply to the poorest countries, which would still be subject to a minimum 50 per cent grant rule.

## GEC-Alsthom unit wins UAE contract

KANIS ENERGIE, the German subsidiary of GEC-Alsthom's European Gas Turbine Company (EGT), has won a $102m (£60m) turnkey contract to supply seven 38MW gas turbines to the United Arab Emirates, Andrew Baxter reports.

The turbines will be installed by the end of next year in five power stations in the Northern Emirates. The deal is EGT's fifth heavy-duty gas turbine contract for the UAE in a year. Last month, Kanis won a 26m contract for a 26MW power station in Abu Dhabi.

# CoCom's liberal euphoria fades

## William Dawkins reports on problems in easing technology sales

WESTERN allies are due in the next few days to complete the widest liberalisation of technology sales to the former east bloc since the cold war – yet the gesture will be strictly provisional.

If the hectic round of last minute negotiations goes to plan, the accord will be finalised tomorrow and on Friday in Paris, at a high-level meeting of CoCom, thus reducing its old list of 120 controlled goods to around a third of its former size and streamlining the product categories.

The session will group subministerial officials from the 17-nation Co-ordinating Committee for Multilateral Export Controls (CoCom), the shadowy organisation devoted to preventing exports of militarily useful technology to the Soviet Union and its former allies.

The deal would put into detailed effect – and could tons down – what was a euphoric ontline accord at CoCom's last high-level meeting last June. It came in response to the political reforms in eastern Europe which at one point had threatened to split CoCom members: all of Nato, minus Iceland, plus Japan and Australia.

CoCom was hoping to agree this reform at a high level meeting at the end of February, but had to put it off because of failure to agree on the level of liberalisation for computer and telecommunications equipment, the two most sensitive sectors.

This week, CoCom members will attempt a delicate balancing act between the need to allow reforming east Europeans to buy the technology they badly need to develop their economies, and the need to protect western security against a constantly changing threat. Under the surface is the fierce competition in technology trade between the US, Japan, France and Germany.

A lot has happened to qualify last June's liberal mood. One practical lesson of the Gulf war has been that the dividing line between military and civilian technology is less clear than even CoCom's most suspicious officials had imagined. A prime example is underground fibre optic cables; bomb proof and essential to any military command structure, according to one official.

However there are no plans to discuss any extension of CoCom's controls to Iraq or other strategically worrying countries.

Meanwhile, the Soviet military crackdowns on the upheavals in the Baltic republics has provided a reminder of the fragility of political reform and made Moscow seem more of a potential threat. The organisation is now ready to reimpose controls fast if the Soviet Union should move towards military dictatorship, warn US and European officials. The signs are that, if anything, European members see developments in the Soviet Union as just as strategically worrying as the traditionally hawkish US.

The reform that the allies asked CoCom officials to start working out in detail last summer was based on a UK idea to replace the cumbersome old system with a so-called "core list" of eight product categories, since expanded to 10, for which export licences will be needed, often with approval from CoCom itself. If agreement goes ahead as expected, national governments are expected to have relaxed their own export licensing regulations accordingly by late June or early July.

The core list includes obviously sensitivs goods; high-speed compntere, advanced telecommunications equipment and information protection devices, advanced materials and machine tools, sensoring systems, navigation and avionics equipment, marine technology and propulsion systems.

> One practical lesson of the Gulf war has been that the dividing line between military and civilian technology is less clear than even CoCom's most suspicious officials had imagined

Goods outside the list would be sold freely, without the need to obtain a licence. CoCom would continue its existing controls on exports of munitions and atomic energy, areas that even liberal Europeans agree should be kept secret.

In the event, the core list has been refined slightly: two categories – materials processing and telecommunications have been sub-divided into two types of products. Officials have not yet agreed where to draw the line on telecommunications cable capacity, a reflection of the Gulf war experience as well as US security services' worries that fibre optic lines will be harder to tap. This will be one of the main points to be tackled by their political masters in the high-level meeting.

The general strategy is to allow free export of products widely available in the west, which in detail means microcomputers capable of operating at 275 megabits per second and milling machines with an accuracy of plus or minus three microns.

Another key to last year's liberalisation was to allow special treatment for technology sales to eastern European countries thought to be less of a strategic threat, Poland, Hungary and Czechoslovakia. Since the turn of the year, exporters to those destinations should have been getting export licences within four weeks, half the previous time.

The trio are being considered for removal from the list of so-called "proscibed destinations" so that they could buy western technology as freely as any neutral state. But that is on condition that they convince CoCom members that their border security is good enough to stop controlled technology leaking to the Soviet Union. This week's meeting will consider a first report on the probationers' progress. It is understood to be good and could even move CoCom to relax controls further for the trio.

Nobody expects the completion of CoCom's reform to release a sudden flood of new technology to the east, for the countries that need it most are decreasingly able to afford it. "We don't expect this agreement to have a major impact on our business," says Mr Claude Bovis, chairman of Alcatel Cable, which is a partner in a plan to install fibre optic cable across Siberia, blocked by CoCom. "What matters is whether these projects can be financed..."Sometimes CoCom can be a very good excuse for other problems."

# Major urged to block European integration

By Ivo Dawnay, Political Correspondent

MR JOHN Major, the prime minister, was yesterday urged to block moves towards European monetary and political union as more than 100 Conservative MPs, more than a quarter of the parliamentary party, threatened to split British policy on the issue.

The latest row over Britain's approach to the integration of the European Community was prompted by a motion signed by 105 Conservative MPs, including three former cabinet ministers, condemning moves which they fear would lead to a loss of sovereignty.

The motion, which won the signatures of Mr Nicholas Ridley, Mr Cecil Parkinson and Mr Norman Tebbit, "backed" the government in its rejection of a draft treaty drawn up recently in Luxembourg.

The draft suggests moves towards a single currency, a Central Bank empowered by majority voting, supranational law making powers for the European Parliament and a common foreign and defence policy.

In an effort to head off a party split, Mr Major told the House of Commons yesterday, that the draft treaty needed to be changed.

But he was careful to avoid fully endorsing the sentiments of the motion which had earlier provoked widespread anger among Conservative supporters of closer European links.

Challenged by Mr Alan Beith, the Liberal Democrat economic spokesman to clarify his position, Mr Major would only confirm that Britain was "increasingly taking the lead" in Europe and that negotiations were continuing.

"The Luxembourg paper identified in the motion is hut one part of the negotiation and the motion rightly identifies elements in it which need to be changed and which will be changed before the negotiation is complete," he said.

In spite of Mr Major's public disclaimer, pro-European MPs privately reported that Downing Street was "apopleptic" about the motion organised by Mr William Cash, a backbench Tory MP, and supported by the anti-federalist wing of the party.

Interpreting the move, as an effort to "bounce" the government into taking a firm stand against monetary or political union, they said that its timing would only damage party unity on the issue.

The behind-the-scenes row was also regarded as another blunder by party managers, coming just a dey after it emerged that Mr Richard Ryder, the chief whip, had been drafted in as a "trouble-shooter" to improve the party's image.

Mr Hugh Dykes, a pro-European MP, accused the organisers of the motion of "sheer desperation" at raising the issue at a time when the government was grappling with very difficult domestic issues.

There is, however, growing unrest in a large section of the Tory party over a perceived failure of Mr Major to declare that he will veto any moves towards a single currency.

Later last night, Mr Major sounded a positive European note when he told a Confederation of British Industry dinner in London that the benefits of the UK's membership of the exchange rate mechanism were being seen in the economy.

It had enabled the government to cut interest rates, and establish stability for the pound.

# UK's far pavilion may find role in London

**Peter Bruce** reports from behind the scenes at the 1992 World Exposition in Seville

A £14.5m glass and steel structure being completed as the British pavilion for the 1992 World Exposition in Seville, southern Spain, may be dismantled and shipped back to London as a new high-technology arts centre.

Sir Peter Palumbo, chairman of the UK Arts Council, is leading the idea and won strong backing in Seville yesterday from Sir Terence Conran, the former Storehouse chairman, who is designing the pavilion's interior, and Mr Luke Rittner, the former Arts Council Director General who is managing Britain's cultural programme in Seville in 1992.

Sir Terence, who was attending the topping out of the building on the Expo site yesterday, said the pavilion, which is the size of Westminster Abbey, would fit perfectly on to a site near the Butlers Wharf project, opposite the Tower of London, which he used to own but which is now in receivership.

"All it needs is the will to do it," Sir Terence said. The building, designed as a transparent shop window for Britian at Expo, "would be a wonderful new Institute of Contemporary Arts (ICA) in London", Mr Rittner said.

Shop window for Britain: an artists' impression of the British pavilion in Seville

The idea had first been put to Mr Palumbo last year and is being taken seriously by the Butler Wharf receivers and some of the contractors involved in building it in Seville.

Both the architect, Mr Nicholas Grimshaw, and the design engineers, Ove Arup, said it would be feasible to dismantle the structure and ship it back to Britain, where it met building standards and could be easily adapted to a cold climate.

The Department of Trade and Industry, the pavilion's owners, is, however, understood to have doubts about the project and has asked a number of British estate agents to try to sell it on the Expo site. Experts said it would cost less than £2m to dismantle the building, place it in barges on the Guadalquivir River and ship it to London.

Topping out the British structure came as a relief to the Expo authorities as most of the 110 nations exhibiting at the fair are behind schedule. Expo is costing about $8bn to mount and, next door to the British, the Germans are still digging their foundations.

Expo opens next April 20, and the US was only yesterday opening bids for its $65m building, drawing sharp criticism from the local organisers. "The Americans are probably the most worrisome of all," said Mr Emilio Cassinello, chairman of the Expo. "We have told them we expect to see them working by the end of the week." The Expo authorities are understood to have contacted manufacturers of decorative hoardings in case pavilions are not completed.

Britain, though, has not escaped without criticism in Seville. UK companies, Mr Cassinello said, were "conspicuously absent" among the list of 25 major foreign corporate sponsors of the Expo, although one Spanish sponsor, the Cruzcampo brewery, has just been bought by Guinness.

DTI officials were determinedly vague about their plans for the UK pavilion after Expo, althongh France, Italy and Austria have already decided to leave theirs as national cultural centres on the Expo site. The French building, most of which will be underground, is to become a library, the Austrian, a music study centre, and the Italians plan to convert theirs into an industrial design museum.

This could leave Britain embarrassingly isolated among its European partners for trying to commercialise its presence in Seville by selling the building. A proposal to turn it over to the British Council is unlikely to come to much.

## BRITAIN IN BRIEF

### Import of fighting dogs banned

Legislation enforcing the destruction of all dangerous fighting dogs in Britain is expected to be rushed through parliament. Meanwhile, the import of such dogs was banned at midnight last night following public outcry at the latest attack on a six-year-old girl.

Legislation, expected to be announced by Mr Kenneth Baker, the home secretary, will also provide for the muzzling of rottweilers, dobermans and wolfhounds in public. This is the first decisive government move to safeguard the public against dangerous dogs since a spate of attacks last year.

Mr John Major, the prime minister, said the "horrific" weekend attack on Rucksana Khan had led him and Mr Baker to agree that "urgent action" had to be taken.

The import ban will include American pit bull terriers and Japanese tosas. Up to 10,000 pit bulls, imported or bred here since 1977, could be put down although the government has yet to define which dogs will be affected.

### MMC to probe match market

The UK market for matches and disposable lighters is to be investigated by the Monopolies and Mergers Commission for the second time in two years. Sir Gordon Borrie, director general of fair trading, has given the MMC eight months to report on Bryant & May's monopoly of the UK market said to be worth about £100m a year.

Bryant & May, which estimates that it has 77 per cent of a market, said it was at a loss to explain the director general's decision. Mr David Wheeler, managing director, said it was particularly surprising since the merger of Swedish Match and Bryant & May was investigated and cleared by the MMC in 1987.

The merger received the MMC's blessing largely because of the availability of imported matches, particularly from Russia and Czechoslovakia.

### 'Irregularities' at island bank

TSB Bank Channel Islands has disclosed that it had uncovered "irregularities" in its treasury division which could entail substantial losses.

The Jersey-based bank, which is linked to the Trustee Savings Bank Group, said that the problem was connected with foreign exchange dealings, but it gave no details. The St Helier police had been notified.

In a notification to the Stock Exchange, the bank's board said it was too early to quantify exactly the extent of the losses. "But on present information," it said, "it is envisaged that full year profits will be substantially reduced and the half-year results may show a loss."

### BR strike threat eased

The threat of strikes on British Rail eased when BR conditionally accepted a call from the industry's arbitration board to raise its final pay offer to 120,000 workers to 7.75 per cent.

BR will meet unions today to discuss the improvement on its previous final offer of 7 per cent. It called last night for the RMT transport union to abandon an industrial action ballot due for the end of this week.

### UK may get Patriot system

British Aerospace, the defence equipment manufacturer, is teaming up with US giant Raytheon to offer Britain the Patriot missile defence system, one of the great successes of the Gulf war.

Patriot is one of the options under consideration to replace the Bloodhound medium-range missiles which are being phased out this year. They were introduced in 1958 and are considered obsolete.

BAe says Patriot is the most advanced medium-range surface-to-air missile currently available in the world. It achieved international fame for its success in destroying Iraqi Scud missiles.

### Minister urges open-sky policy

A worldwide "open sky" policy should be in operation for airlines, according to Mr Malcolm Rifkind, UK transport secretary.

He called for the elimination of state subsidies to favoured European airlines, adding: "Europe will be untrue to itself for as long as national frontiers limit the opportunities for airlines originating from within the Community."

US airlines also had to realise they could not expect to maximise their transatlantic opportunities unless British airlines had similar opportunities within America, Mr Rifkind said. Realising these objectives would require a new style and framework for negotiations to replace the old out-moded and bureaucratic framework.

Malcolm Rifkind: Europe must be true to itself

### Road system in 'disrepair'

Britain's main roads and motorways are crumbling into disrepair faster than the government is patching them up, the National Audit Office says in a highly critical report.

The report accuses the Transport Department of failing to anticipate the speed at which roads deteriorate and of leaving repairs so late that expensive reconstruction becomes necessary.

It also points to severe shortcomings in the system of letting contracts for motorway repairs, revealing that only one contractor had been fined for late completion since the system was introduced in 1984.

### Electricity costs rise slowly

Electricity prices to large consumers in the UK have risen by 5.6 per cent on average this year. This is the lowest increase in three years, according to a survey published by National Utility Services (NUS), the utility cost analysis service.

The NUS research was based on prices actually paid by its clients in the UK, at more than 175,000 premises. Average prices to customers taking one megawatt were 3.94p per kilowatt hour in April 1991, compared with 3.73p a year ago, NUS said. However, prices to small consumers had risen between 9 and 18.5 per cent, the survey found.

### Yokogawa to build factory

Yokogawa, a Japanese manufacturer of automated process control systems, is to build a factory in Runcorn, in north-west England, creating 200 jobs over three years.

The £10m investment will include a research and development facility. The company sells measurement and control systems and data communication technology to a wide range of manufacturing industries.

### Receivers called in at chain store

Administrative receivers have been called in at Knobs & Knockers, the retailing chain whose brass fixtures and accessories came to epitomise the home improvement fad which swept Britain during the late 1980s.

The company, which has been badly hit by the depressed housing market and the retailing recession, was unable to raise sufficient funds to allow it to continue trading independently.

Mr Nick Lyle, one of the receivers from Touche Ross, said Knobs & Knockers had borrowings of £1.1m from Barclays Bank and owed trade creditors a further £1.5m.

### Recession hits life insurers

The recession is hitting the life insurance industry, with new premiums in the first quarter of 1991 down 14 per cent, at £1.45bn, compared with £1.68bn in the first three months of 1990.

Mr Mike Jones, chief executive of the Association of British Insurers, said "the insurance industry is having to overcome the effects of rising unemployment and reduced consumer spending power".

Regular premium business, which fell by 9 per cent, held up better than single premium, down 16 per cent. Unit-linked policies fell by 39 per cent.

### Pressure for home loan cuts

Home loans and savings institutions were pressed by a senior member of the government to pass on immediately the benefits of recent cuts in interest rates by allowing customers to renegotiate annual review agreements.

Mr John MacGregor, lord president and leader of the House of Commons, said about 40 per cent of mortgage holders had not felt the full benefit of the 3-point reduction in base rates seen since the autumn.

That reflects the decision of many large lenders, notably Halifax, to adjust their mortgage agreements annually to shield customers from large month-to-month fluctuations in repayments.

John MacGregor: expressing cabinet frustrations

Mr MacGregor's comments, checked in advance with the Treasury, underlined the frustration of the cabinet that lower borrowing costs have not been translated into a significant rise in the government's standing in the opinion polls.

# London calls for cultural revolution in UK business

By Charles Leadbeater, Industrial Editor

BRITISH BUSINESS needs to undergo a cultural revolution in its approach to innovation if its performance is to match that of companies in competitor countries, Mr Peter Lilley, trade and industry secretary warned yesterday.

He unveiled a package of 13 measures he said were designed to catalyse the cultural shift industry needed.

The government is trying to open up a new dimension to economic policies in the 1990s by arguing that a process of cultural change was needed to complemant moves over the last decade to make markets more competitive.

Labour attacked the proposals as vacuous. Mr Gordon Brown, its trade and industry spokesman, will respond later this week with a major speech outlining the party's plans for the DTI.

Mr Lilley, echoing many of the themes of the prime minister's presentation on Monday of new policies on further and higher education, laid much of the blame for Britain'a poor record on commercial innovation at the door of the education system.

He strongly attacked what he said were twin biases inhibiting innovation. These were the bias towards economic

Lilley: seeking innovation

rather than vocational skills in the education system and the bias in management towards financial and legal qualifications at the expense of engineering and technology.

The measures Mr Lilley announced are mainly aimed at easing the transfer of technology and people between the science base in higher education and industry.

- The main programme is a 3-year, industry-led, programma of collaborative research between universities and companies into the management of innovation within manufacturing.
- The DTI will soon publish a research and development scoreboard to measure British companies' spending on R&D. It will also fund a study into measures of manufacturing performance which managers and investors could use to assess companies alongside more traditional measures such as earnings per share.
- The number of visiting professorships of engineering in higher education, which allow industrialists to teach in engineering faculties will be increased from 8 to 46.
- Universities and Polytechnics which want to market their services to industry will be able to apply to the DTI for funds to assess their strength and weaknesses.
- The DTI will offer higher educational institutions funds to set up industrial units to form the main bridge in their relations with industry.
- Tha govarnmant programme to send engineers to Japan will be expanded while support will be increased for groups of industrialists who travel overseas to examine science and technology projects.
- The DTI's innovation services will be streamlined to make it easier for companies to apply for funds to help them with R&D.

# Sun rises on Japanese investment in Wales

## Anthony Moreton on the art of persuasion used to attract companies to the region

FIFTEEN months ago Mr Suehiro Nakamura, then general manager of Sony's European TV production, drove from his office in Bridgend, south Wales, into Cardiff and told Welsh Office officials that his company was considering a major expansion in Europe and that the Bridgend site was a candidate.

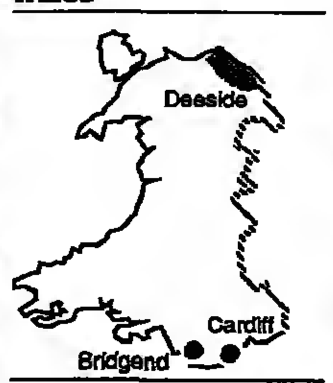
Mr Nakamura, now promoted back to Tokyo, was urging the company to choose the Welsh site but admitted there were other candidates. Sony bas 11 manufacturing sites in Europe and although Bridgend was the first to be commissioned – in 1973 – and only the second outside Jepan after San Diego, some of the others had good claims oo the £147m investment.

In particular, tbe company was highly pleased with its Barcelona plant which had the advantage of having land for expansion and spare capacity.

Wales, though, is used to the tough negotiating that accompanies the drive to win internationally mobile projects, especially those like Sony's which promise 1,400 jobs. It had recently won the £140m Toyota engine plant for Deeside in north Wales and the £120m Bosch plant outside Cardiff.

The region was also chosen by British Airweys, the UK flag carrier, to build a £75m maintenance plant et Cardiff

**Wales**




airport to service the airline's fleet of Boeing 747 Jumbo jets.

All these projects could have gone elsewhere in the world. But as Mr David Hunt, Welsh secretary, said in Bridgend yesterday: "Wales is able to mount a massive campaign based on a lot of experience whenever there is the slightest sniff of interest by a company.

"This investment by Sony is a great landmark, not just for Wales but for Britain as a whole because the quality of output in the Bridgend plant meets the most stringent Japanese standards."

Wales can also offer regional assistance as Bridgend enjoys assisted-area status. In the end the Welsh Office put up £10m in selective aid, Mr Hunt said,

**SONY, the Japanese electronics company, yesterday confirmed that it will build a £147m television manufacturing plant in south Wales, creating at least 1,400 jobs, on a 162-acre "greenfield" site at Pencoed.**

**The site is two miles from Sony's existing plant at Bridgend and colour television production will be transferred from there to the new plant, releasing space at Bridgend for cathode ray tube manufacture.**

**Pencoed will become Sony's leading European centre for television research and development.**

**Mr David Hunt, the Welsh Secretary, said yesterday that the government had put £10m in grants into the Pencoed project. He added: "But it is a massive investment by Sony themselves which Wales has secured against stiff international competition."**

"marvellous leverage of 14:1. That is a great return on our money." Mr Hunt was to play a key role in winning the contract. Last November he flew to Tokyo with Dr Gwyn Jones, chairman of the Welsh Development Agency, ostensibly to front an inward investment mission. Their first call was on Sony.

The Japanese lika being courted by top players, especially ministers, and successive secretaries of state in Wales, such as Mr Peter Walker and the then Mr Nicholas Edwards, have always seen the opening of corporate doors as part of their role.

"You don't approach a company like Sony as though you are e double-glazing salesman," one official in the Welsb Office said yesterday. "It is necessary to build confidence among Japanese businessmen and make them feel they are wanted.

"It is also important to dovetail in with their strategy and show how working in Wales can belp them achieve tbeir corporate aims."

Much of tha dovetailing is done by the Welsb Development Agency througb its inward-investment arm, Welsh Development International.

The work of the agency has contributed to Wales winning a major share of inward investment into Britain.

Wales captures about a fifth of those projects coming to Britain even though it has only 5 per cent of the population.

Forty years ago there were just 18 foreign companies in Wales.

Today there are more than 330 overseas companies, of which more than 100 are from the US sucb as Kelloggs and Hoover; a further 51 from Germany.

The 40 Japanese companies, which now employ 14,000 people in Wales, are the largest concentration from that country to be found anywbere in Britain.

Some of the arrivals are big names, such as Sony, Brother Industries, Sharp, National Panasonic and Toyota, but not all. WDI pays equal attention to the smaller fry.

The first Japanese concern to arrive in Wales, Sekisui, whicb came in 1972, still employs just 90, making polyethylene foam in Merthyr Tydfil. Kintetsu World Express, the smallest, bas just three employees at its warehouse in Mid Glamorgan.

Yesterday Mr David Hunt was 49. "Sony's expansion was a marvellous birthday present," he said. And Mr Takashi Hayashi, now general manager at Bridgend, not only performed the ceremonial breaking of the *sake* barrel with Mr Hunt and Dr Jooes, but also led the singing, equally ceremonial in Wales, of Happy Birthday to the minister.

# Stock exchange sets date for launch of transaction system

By Richard Waters

MAY 11 1992 is set to become the biggest date in the City's calender since 27 October 1986, the day the Big Bang reforms took effect. It has been earmarked for the launch of *Taurus, the London Stock* Exchange'a (LSE) long-awaited paperless settlement system, it was announced yesterday.

Tha LSE also published a detailed month-by-month timetable laying out the rigorous systems development, legislative and regulatory hurdles that City firms and listed companies will have to clear before Taurus can be launched

While Big Bang brought with it a new trading system for the London stock market, Taurus will revamp all its back office operations – the process of settling transactions, from the moment a deal is done to the actual transfer of securities for cash.

Tbe launch bad been planned for this autumn, but was delayed by the difficulty of drafting a new legislative framework to accommodate an electronic system for owning and transfering shares.

Mr John Watson, Taurus project director, also said yesterday that tha extensive systems development needed to accommodate Taurus would have been difficult to accomplish by the *original* target date.

The new deadline is dictated largely by the need for secondary legislation to pass through Parliament – a process that could still be upset by an autumn general election. Draft legislation was published by the Department of Trade and Industry last week.

The five companies originally lined up by the LSE as the first to convert to Taurus – ICI, BP and three of the *leading clearing banks – will* miss the new start date. Their annual general meetings, at which shareholders will be asked to approve the conversion to Taurus, will take place too late for the May 11 launch, the exchange said.

Tha LSE is now seeking other large companies with general meetings earlier in the year to spearhead the development.

The axchange's timetable allows for an extensive public information campaign to persuade listed companies (who will not be forced to convert to Taurus, at least in its early phases) and private shareholders of the benefits of the system. Information will be sent to all listed companies and shareholders during July.

Listed companies who want to convert to Taurus will then send out fuller information to their shareholders from the end of this year, and a copy of the necessary amendments to their articles of association which will require a 75 per cent majority to be adopted.

The LSE said that it plans to *introduce the second phase of* Taurus by the end of 1992. This phase will include what is likely to be the biggest change for investors – the introduction of rolling settlement, under which all deals will be settled a set number of days after they are carried out.

## FT LAW REPORTS

# Collision ship can be sued in UK

THE PO
Court of Appeal (Lord Justice Lloyd, Lord Justice Nourse and Lord Justice Ralph Gibson): May 9 1991

**THE ADMIRALTY Court has a special jurisdiction under the 1952 Collision Convention to hear a collision claim against a ship which avoided arrest in the UK by putting up security, and the plaintiffs are therefore not obliged under the 1968 Jurisdiction and Judgments Convention to sue in the country of the defendant's domicil.**

The Court of Appeal so held when dismissing an appeal by the defendant owners of Po and her sister ship Republica, from Mr Justice Sheen's dismissal of two motions for a stay of collision proceedings brought against them by the plaintiff owners of USNS Bowditch. Lord Justice Ralph Gibson dissented on the ground that in his view the Brazilian court was the more appropriate forum for trial of the action.

LORD JUSTICE LLOYD said that on January 9 1987 the Italian vessel, Po, entered Rio de Janeiro harbour and anchored north of the Presidente Costa de Silva bridge.

On the same day Bowditch anchored about 1.5 cables south of Po.

Bowditch was owned by the US navy, but at the material time was operated by a company called LSC Marine Inc.

The master of Po thought Bowditch had anchored too close, and complained. During the following few days the ships swung to the wind or tide without coming to any harm.

On January 16 a wind blew up from the north east. Po dragged her anchor and collided with Bowditch.

On January 22 LSC Marine commenced proceedings in the Brazilian court. Po was arrested. Her P&I (protection and indemnity) club gave a $1.2m undertaking to secure her release. On January 23 the port administrative agent held an enquiry into the cause of the casualty. In his report dated January 22 1988 he found Po was not to blame. The port captain agreed. In March 1988 the Brazilian proceedings were discontinued.

On September 30 1988 the owners of Bowditch began the present proceedings claiming $3m. The vessel was a constructive total loss. The writ *in rem* was served when Po was in Southampton on October 6. To prevent arrest her P&I club put up $3.5m security. On one of the present motions the owners of Po sought an order that the English court should decline jurisdiction on the ground that under the Convention on Jurisdiction and Enforcement of Judgments 1968, the proceedings ought to have been brought in Italy. Mr Justice Sheen dismissed the application. Po now appealed.

Article 2 of the 1968 Convention set out the basic rule on jurisdiction, that defendants were to be sued in the state of their domicil.

By section 2 of the Civil Jurisdiction and Judgments Act 1982 the Convention had force of law in the UK.

Article 55 to 59 (Title VII) of the Convention dealt with the relationship of the Convention to other Conventions governing jurisdiction in relation particular matters, known as "special Conventions".

Article 57 provided that the 1968 Convention should not prevent a court of a contracting state which was party to a special Convention, from assuming jurisdiction in accordance with the special Convention, even where the defendant was domiciled in another contracting state not party to the special Convention.

One of the special Conventions preserved by article 57 was the Collision Convention (Brussels, May 10 1952).

Article 1 of the Collision Convention provided that a collision action could only be introduced (a) before the court of the defendant's residence; or (b) "before the court of the place where arrest has been effected ... or where arrest could have been effected and ... security has been furnished"; or (c) the court of the place of collision.

Mr Brice for Po argued that Bowditch could not take advantage of UK juriadiction since the US was not a party to the 1968 Convention, nor to the Collision Convention.

The purpose of article 57 was to enable EC member states to honour their obligations to non-member states under particular Conventions. There was nothing in the 1968 Convention nor in the reports on the Convention, which supported Mr Brice's argument. The fact that the US was not a party was irrelevant.

As for the Collision Convention, article 8 provided that the Convention should apply to all persons interested when vessels belonged to contracting states, "provided always that" a contracting state could make its application to a person of a non-contracting state conditional on reciprocity.

There was no evidence Italy made application of the Collision Convention to US vessels conditional on reciprocity. Accordingly, the High Court had jurisdiction just as it would if Bowditch were a British ship.

Mr Brice argued that Mr Justice Sheen was wrong to hold that the Collision Convention was part of English law. He said the Convention was never implemented in the same way that the 1968 Convention had been by the 1982 Act.

Article 57 did not depend for its beneficial operation on showing that the contracting states had implemented the special Convention. It was enough that the state was party to the Convention, which the UK was.

In the *Deichland [1989] 2 Lloyd's Rep 361*, in an action *in rem* for damage to cargo, the P&I club gave an undertaking to avoid arrest, as in the present case. The Court of Appeal held that article 2 of the 1968 Convention applied, so that the plaintiffs were obliged to sue in Germany. The plaintiffs had argued that the High Court had jurisdiction by virtue of article 7 of the Arrest Convention (Brussels, May 10 1952).

Article 7 provided "the courts of the country in which the arrest was made shall have jurisdiction".

The difference between article 7 and article 1(1)(b) of the Collision Convention was at once apparent. Whereas jurisdiction under article 7 depended on arrest alone, article 1(1)(b) included, as an alternative basis of jurisdiction, the *ability* to arrest and the furnishing of security.

Those words were absent from article 7. It was their absence which led the Court of Appeal in the *Deichland* to reject the plaintiff's argument.

The absence of an actual arrest was crucial in *Deichland*. In this case it was not.

The motion was dismissed. Po had not made out a case that the court should decline jurisdiction in favour of the Italian court by reason of the 1968 Convention.

By their other motion the owners of Po asked the court to stay the action on the ground of *forum non conveniens*. They said the Brazilian courts were clearly more appropriate for trial of the action.

Mr Stone for the owners of Bowditch, would have argued that where, as here, the defendant was domiciled in a contracting state under the 1968 Convention, there was no discretion to stay on the ground of *forum non conveniens*.

He accepted that the argument was not open to him, in the light of the recent court of Appeal decision in *Harrods (Buenos Aires), FT March 26 1991*.

It was common ground that the principles to be applied were those stated in *The Spiliada [1987] 1 AC 460*.

The broad question was whether the defendants had demonstrated that a Brazilian forum would be clearly more appropriate.

The judge had the relevant principles in mind. Although greater weight might have been given to some of the connecting factors with Brazil, they were not so strong that the judge ought to have granted a stay.

The defendants had failed to make good their application for a stay. The appeal was dismissed in respect of both motions.

LORD JUSTICE NOURSE gave a concurring judgment.

LORD JUSTICE RALPH GIBSON concurred on the 1968 Convention point, but dissented on the *forum non conveniens* point.

He said that the issues in the action were essentially whether those in charge of Po were at fault; whether those in charge of Bowditch were guilty of contributory negligence; and damages. The fact that an enquiry had taken place was a significant factor which connected the case with Brazil.

The court in Brazil was a tribunal in which the case might be tried more suitably in the interest of all the parties and for the ends of justice (see *Spiliada, 474*). His Lordship would have allowed the appeal.

*For the plaintiffs: Richard Stone QC and William Whitehouse-Vaux (Constant & Constant).*

*For the defendants: Geoffrey Brice QC, Jervis Kay and Vasanti Selvaratnam (Shaw & Croft).*

**Rachel Davies**
*Barrister*

## BUSINESS AND THE ENVIRONMENT

# Greener plants at Tioxide

Tioxide, the pigments manufacturer bought by ICI last December, is to invest £90m over the next two years to improve the environmental performance of its plants at Grimsby in England and Calais in France.

Tioxide is also drawing up plans to build new plants in Australia and North America, using clean production technology, et a total cost of around £150m.

The decisions follow a thorough review of Tioxide's activities after the takeover. Tioxide had been a 50:50 joint venture between ICI and Cookson, the industrial materials group; one reason Cookson sold its stake to ICI (for £160m) was that it believed Tioxide would have to spend several hundred million pounds to clean up its plants and invest in new technology.

Grimsby and Calais are the two oldest Tioxide factories in Europe. They use a "sulphate" process to make titanium dioxide, the white pigment used in paints, plastics, paper and many other products. This process discharges sulphuric acid and metallic sulphates into the Humber estuary and the English Channel.

The effinent treatment plants – costing £27m at Grimsby and £63m at Calais – will rednce the discharges below the levels required by EC environment regulations from 1994, the company says.

At Grimsby the sulphuric acid will be neutralised with limestone, generating gypsum. Tioxide will sell this by-product to e Knauf UK factory in nearby Immingham for making plasterboard.

At Calais there will be a different effluent treatment process, involving acid recycling. Metallic sulphates will be extracted and converted into ash for land-fill.

Tioxide has just commissioned a new factory at Greatham, near Hartlepool, which uses a much cleaner "chloride" process called Icon, which is different from the chloride process used by its competitors. It plans to build new plants in Australia and North America using a scaled-up version of this process.

**Clive Cookson**

**Stephen Fidler** explains how debt-for-nature swaps work and why their popularity is growing

# Trade-off of a heavy burden

Environmental groups have long argued the connection between the environment and the debt in third world countries.

The argument that a high debt burden increases poverty which in turn accelerates environmental degradation oversimplifies a complicated issue. But it is unsurprising that a financing technique that combines a lowering of a country's foreign debt with preservation of the environment has e strong appeal to many environmental organisations.

The first recorded debt-for-nature swap was in Bolivia in 1987. The environmental group Conservation International, a US non-profit foundation, bought $0.7m of Bolivian debt et e price of 15 cents on the dollar. In exchange for cancelling the debt, Bolivia agreed to set aside 3.7m acres in three areas in the Amazon.

Since then, there have been more than e dozen debt-for-nature swaps. There have also been a number of related transactions, such as debt-for-development swaps, which pay for health, education and agriculture projects.

Debt-for-nature swaps have, on everage, been getting larger. One of the latest and lergest proposals would involve the Inter-American Development Bank, the regional development bank for Latin America, buying more than $100m of Mexico's foreign debt in the secondary market. The Mexicen government would then spend money saved from the purchase by planting trees around Mexico City, thereby helping to improve the air quality in the capital.

Debt-for-nature swaps usually work like this: an international environmental organisation bnys np debt from commercial banks or other holders at a deep discount to face value. The organisation exchanges the debt et a prearranged discount with the debtor country, which issues e domestic bond or cash. The income from the domestic bond, or the cash, is then used by the group to finance environmental projects inside the country. The prearranged discount is almost invariably less than the original purchase price, giving the environmental group some extra leverage.

"By using a debt swap you can more than double your money in local currency," says Ian Bowles of Conservation International in Washington.

The result seems to leave everybody happy. The country concerned reduces its debt burden and some progress is made towards conservation. But, as in other more widely used forms of debt conversion, such as debt-equity swaps, there are perceived drawbacks.

One is in the potentially inflationary consequences of creating the currency for the swap. This currency creation can be neutralised – for example, via the sale of government bonds in the domestic market or higher taxes – but this can be costly.

It is also argued that, particularly where a debtor country pays no interest on its debt, reducing those debts is of negligible benefit. Against this, the government in the debtor country has to create local currency to finance domestic projects chosen by foreigners.

Althongh debt-for-nature swaps are growing in size, they are never likely to have much influence on the overall stock of debt: $2,000bn is owed by the developing world and more than $400bn owed by problem debtors of Latin America.

The widely different tax, accounting and regulatory regimes faced by the world's commercial banks put a number of obstacles in the way of the cheap sale or charitable donation of debt. For example, one rule allows banks in the US and France to count provisions against possible loan losses as part of capital. If they get rid of the debt, they have to write off the loan, allocate the provisions and thereby lose capital, of which many banks are critically short.

**Debt-for-nature swaps are growing but they are never likely to have much influence on the overall stock of debt**

The development since the mid-1980s of a secondary market in bank debt owed by problem debtors in the third world provided the medium from which the debt-for-nature swap could be created. Most deals publicised so far have involved debt owed to banks.

This is changing, however. A $5m swap arranged by Conservation International to help preserve biological diversity in Madagascar last year can use either commercial bank debt or trade debt owed to companies – which trades at a deeper discount than the bank debt.

There appears to be a growing role for industrialised country governments in debt-for-nature exchanges. Sweden and the Netherlands are among the few countries to channel part of their aid budgets to buy bank debt for use in debt-for-nature swaps. For example, the Dutch government has spent Fl 5m (£1.49m) buying Zambian debt in one such operation and Fl 10m on Costa Rican debt in another.

There are donbts about whether this is the best use of a country's aid budget. However, governments are playing an increasing role in other ways – through the swapping of debts owed to them by third world governments.

Two developments last year encouraged this development. One was the Enterprise for the Americas initiative announced by President Bush last year. This envisages, among other things, the conversion of 10-15 per cent of the trade debt owed to the Export-Import Bank of the US into local currency for the funding, for example, of local environmental projects.

The second was the treatment allowed to so-called lower middle income debtors – such as Senegal, Honduras and Poland – by the Paris Club of government creditors. The Paris Club, which forges a consensus on how to treat trade debts owed to governments, allows 10 per cent of these countries' debts to be converted into local currency for conservation projects.

The net of countries covered by the swaps is also widening. The ending of communist rule in the countries of east and central Europe – and the severe environmental degradation experienced there – opens up one possibility: particularly for Poland and Bulgaria, the debt of which carries e large discount to face value.

Poland, for example, owes $33bn to western governments and $10bn to banks. The process has already started. NMB Bank of the Netherlands has already arranged a small debt-for-nature swap (using bank debt) to fund e study on environmental clean-np for Poland's sorely polluted rivers.

The ultimate aim is to create an environmental fund to be financed through the cancellation of Paris Club debts. The accord forged in the Paris Club for Poland more than a month ago calls for debt write-offs by governments equivalent to 50 per cent. But creditor governments could increase this by e further 20 per cent – with half of this supplement being converted into local currency for environmental cleen-np operations. In the unlikely event that all governments go along with this, more than $3bn could be diverted into environmental clean-ups.

In other areas of the world the idea is gaining ground too. In Brazil, where rainforest preservation is an important priority, the concept was opposed for years because it was perceived as threatening Brazilian sovereignty. The new administration of President Fernando Collor de Mello has now changed the policy and environmental gronps are working on a $250m debt-for-nature fund to give this change of heart concrete effect.

### DEBT-FOR-NATURE SWAPS

| | Face value of cancelled debt (% face value) | Institution | Purpose |
|---|---|---|---|
| Bolivia 1987 | $0.7m (15%) | Conservation International | Set aside 3.7m acres around Beni biosphere in Amazon basin |
| Dominican Republic 1990 | $0.6m – | Conservation Trust of Puerto Rico | Start of four-year programme which could convert $80m of debt. Protection of hardwood forests, riverbeds and endangered habitats |
| Madagascar 1990 | $5.0m – | Conservation International | Starting this year, $1m a year for five years of commercial and trade debt to be converted to finance forest protection and environmental education |
| Costa Rica 1991 | $0.6m (60%) | Rainforest Alliance, New York | Debt of Central American Bank for Economic Integration bought of American Express bank subsidiary, to protect and acquire forest land in Costa Rica |
| Mexico 1991 | $4.0m (65%) | Conservation International | Effort to save endangered plants and wildlife; almost half in Selva Lacandona |
| Ecuador 1989 | $9.0m (12%) | Worldwide Fund for Nature | Protection of rain forest. Fund converted into bonds which even out stream of local currency payments |

Source: World Bank

# Small companies fear high costs

Government appeals for small companies to go green are misguided because politicians are out of touch with the realities of doing business, says Marjorie Booth of the Forum of Private Business, which represents more than 18,000 small firms in the UK.

"They're in another world – they don't understand how small business works. They say we have to spend money to be environmentally friendly, but we don't have the money to spend."

She was speaking after ettending one of a series of seminars sponsored by the Department of Trade and Industry where smaller business are urged to take environmental issues seriously.

Environment minister David Trippier – who launched the first seminar in Manchester in April – pleaded with UK industry to see environmental pressures as an opportunity, not e threat.

"British companies who respond now and develop appropriate technology will be well placed to take up the marketing opportunities overseas as international standards are raised," he told the Manchester audience.

But the theory is easier than the sometimes expensive practicality of following this advice. Market opportunities are often ignored because most companies are worried abont the cost of complying witb green regulations brought in last year under the Environment Protection Act (EPA).

Major polluters, for example, will be controlled by a system called integrated pollution control (IPC), which is the centre piece of the EPA.

Under IPC each major industry sector will soon be required to reduce its wastes and emissions to comply with specific regulations drawn up for that particular sector. The large combustion sector is already subject to IPC and others, such as the rubber manufacturers, are shortly to receive draft notes on how they should control their processes.

But Bob Pollock, deputy director of the British Rubber Manufacturers' Association, is worried about the technical competence of the civil servants who will write the notes.

"They have not got the right knowledge about the processes involved," he claims. "The person who is in charge of our notes used to be an environmental officer in Wolverhampton. The closest I'm sure he ever came to the rubber industry was when some housewife complained ebout a bit of carbon black on her washing."

His association is concerned that uninformed civil servants will over-specify the amount of technology needed by the rubber makers to comply with the law. He stresses that his members want to comply with the spirit of the law but are worried that over-specification will lead to unnecessary costs for them.

Most roadshow attendees would agree with this sentiment. "Of course we support higher standards – we have to live in our emissions," says Brian Linney of Alcan Speciality Tubes in Redditch, Worcestershire.

"We see environmental pressures very much as an opportunity," says Martin Lucas of MGA Developments, a vehicle concept design company in Birmingham.

Ken Mason of Carello Lighting in Staffordshire agrees. His company, which makes lights for cars, has formulated an environmental policy and is preparing for an environmental audit.

Carello, e former Lucas company now owned by Magnetti Marelli of Italy, has alreedy overcome one of the problems affecting companies thet use cardboard packaging. The market has dropped out of the scrap cardboard business and some companies have abandoned their recycling schemes. Cardboard is often dumped in landfills because it is cheaper than recycling.

"We don't have that problem," says Mason. "We deliver our products in special returnable plastic trays. The lorry takes the full trays to the customer and returns with the empties. We've got rid of cardboard altogether and saved money."

**Peter Knight**

*There are six remaining seminars to be held at Basildon, Crawley, Bournemouth, Plymouth, Bristol and Cardiff. Contact the DTI (071 215 5000) for more information.*

**MANAGEMENT**

# Dismal scientists at the coal-face

**Rachel Johnson** explores the role of those economists who work in industry


It's quite easy to see what City economists do. They advise clients, talk to companies, watch the markets, push out research, and are interviewed on television after the inflation figures come out.

It is more difficult to summarise the work of an industrial economist – that is, someone employed by a big company or consultancy who would not be seen anywhere near a bank's trading floor, however sharp his suit or good his degree.

For a start, there are simply fewer of them. And their functions are, in some cases, so diverse that their job descriptions sound like gobbledegook.

In the 1970s, it was quite usual for a large industrial or commercial company to maintain economics staff.

Legend has it that in-house analysts were as common then as their City counterparts are now. Two things changed all that: the oil price fluctuations in the 1970s and the recession of the early 1980s that followed.

"Along with everyone else, macro-economists were caught out. After the oil shock of 1979 came the worry. However much money had been spent on the forecasting function, economists still got the numbers wrong," says David Stout, head of the strategy group at Unilever, the Anglo-Dutch nappies-to-detergents group.

Ever since then, the membership of the 630-strong Society of Business Economists has been dominated by City economists – the mobile-phone wielding proponents of the "dismal science" so frequently spotted on television and heard on radio.

Industrial economists, however, do exist. It is just that they are a very different breed.

It is hard to see the common thread running through their work, as each one's day is customised according to the company he works for.

They can get to the stage of disliking to use the word "economics" at all, so far removed from their work does ivory-tower theorising sometimes seem.

So while it is safe to say that a City economist could be working out how far the dollar can rise, an industrial one would be working out whether his company should be making a dishwasher detergent out of powder or paste.

Anthony Finizza, chief economist at Atlantic Richfield, the oil company, in Los Angeles, has written that for him, the chief task of the business economist is "visioning" – helping managers to learn things they do not know, including challenging the company's fundamental beliefs.

While other industrial economists share his penchant for using terms like "visioning", they like to remain earthbound. Passionately absorbed in the nuts and bolts of their work, they regard the forecasting function as subordinate to the greater task of interpreting the business and economic environment for the company which employs them.

Stout argues that this saves the corporate economist from getting caught in the forecasting trap. Treasury and City economists have taken plenty of criticism for failing to forecast both the recession which started in the middle of last year and then the accelerating pace of the fall in manufacturing output and employment.

So the work of the industrial economist appears to be much broader – though, inevitably, macro-economic forecasting does crop up on a typical list of daily chores.

At Imperial Chemical Industries, chief economist Richard Freeman has to keep one eye on short-term indicators. For example, it will be his immediate task to assess how the dollar's rise in the wake of the Gulf war and signs of US economic recovery will affect ICI's capacity to export, its production volumes and ultimately, pre-tax profits for the last nine months of 1991.

As the recovery of the chemicals sector is, in theory, supposed to precede that of other industries, ICI's economics team has to think ahead. Freeman also has to present what he calls "strategic scenarios" to the board on world growth, and the social, political and economic outlook for different parts of the world.

Freeman takes as much of a round-the-clock and global view as any City economist straddling the London time zone bang between Tokyo and New York.

He has to scrutinise "the progress of the GATT round; the economics of competition; mergers and divestments, anti-trust laws . . .". The sort of question he wrestles with all the time is: If a world-beating drug goes off-patent, what impact will it make on the pharmaceuticals industry?

David Cracknell is the economist in charge of British Telecom's "basic telephony" products (inland and international calls and product lines – representing 80 per cent of revenues). He has two degrees in economics, the study for the second of which was sponsored by his employers, at that time the Post Office.

His team of five runs economic models to assess variables such as demand for higher telephone services; charge-setting in a recession; and call pricing.

Of economic indicators, those he watches most keenly are inflation, consumer spending and gross domestic product, and his resident macro-economist feeds data into the BT model to make budget projections for lines and calls.

If the out-turns are below or under BT's budget then the company gets a different view from that of the City about demand pressures. In addition, BT has its own special indicators of economic activity, which are watched just as closely as the official data. "Telephone traffic is a much better coincident indicator of consumer demand than are retail sales volumes," Cracknell says.

He is working on the implications of the telecommunications duopoly review; the assessment of a more flexible charging structure known as the "call option scheme"; the extent and scope of competition; and is closely monitoring the practices of the large US phone companies from which he thinks BT could learn.

Working for BT means that the economists, along with all employees, have a commitment to "identify best practices, and emulate them, delivering a reasonably priced service to the customer".

At Air Products' European headquarters in Esher, Surrey, the US-owned industrial gases and chemicals group, resident economist Richard Smith explains his preference for working in the real economy of people and business. "I've always been interested in industrial economics and development. It is much more real to me than banking or finance."

He enjoys his proximity to the decision-making process, and is involved in the "strategic planning process and activities in Europe". He has to watch the output trends and investment performance of the steel, chemicals and electronics industries that make up the bulk of Air Products' client base.

The City spends its time looking at the balance sheet of the economy; industrial economists could just as easily find themselves in eastern Europe, Spain or Portugal assessing the scope for new investment, joint ventures, or, for example, international demand for Unilever's top-selling Timotei shampoo.

Not a single economist spoken to for this article seems to regret his absence from the City – just the six-figure salaries that can, now increasingly rarely, come with the job of City economist.

Industrial economists seem to lack the gloss of the City economist, who, more often than not, is competing with scores of others just like him to get his name in the newspapers or his face on television.

But as the presentational aspect of their job counts for little, so the substance of their daily work assumes a *gravitas* many a City economist would envy.

# What defuses, amuses and changes the atmosphere?

The answer, says **Jean-Louis Barsoux**, is humour

When humour occurs in our working lives we tend to look on it as a welcome but accidental spark of humanity. But it is not just a harmless byproduct of the absurdities and inconsistencies of organisational life, it is also an active agent. Humour can be applied as well as pure.

The truth is, though, that humour in the workplace is rarely neutral, trivial or random – it is deployed for the achievement of quite specific tasks or purposes. Broadly speaking, it is used as a form of attack, a means of defence and as a kind of social cement within organisations.

The case for using humour as a sword is put by Sir Allen Sheppard, chairman of Grand Metropolitan: "If individuals want to be fairly fundamentally critical of some aspect of their company, they need to find a way which doesn't actually bring the conversation to a halt. Humour is the key."

The reason that humour allows hard truths to be expressed with impunity is that it is an aside from the main discourse. Jokers are not held accountable for their comments. So adversaries are free to make slanderous comments about each other's competence, provided these are cloaked in humour.

Take, for example, the production director who jokes about his marketing counterpart: "He's always looking for a challenge. Specifically, drawing a salary without doing any work."

Or, in the context of a recurrent theme – the perceived ineptitude of those who have risen above us in the hierarchy – the directors of ITT, for instance, are collectively known as "seagulls" because "they fly in, make a loud noise, eat your food, shit on everybody and fly out again".

When humorous intent is signalled there is tremendous social pressure on the person on the receiving end to respond with at least a smile – which can come dangerously close to acknowledging the fault.

But what is the alternative? To admonish the perpetrator is to leave oneself open to the criticism of having no sense of humour – can there be a more heinous crime in Britain?

The underlying point, however, is that humour can be used to risk messages that might be unpalatable if stated bluntly. And such a device is vital in the workplace since effective organisations require people to be told when they are underperforming, uncommunicative or indecisive.

Sir John Harvey-Jones, a former chairman of ICI, has given a specifically British twist to this point: "Much of what we say in Britain is indirect. We tend to be evasive. But sometimes you have to call a spade a bloody shovel – and the only way to do that without causing offence is to use humour."

Used sensitively, then, the "joking mode" reconciles these disparate objectives, allowing managers to deliver criticism and to stir people into action without alienating them or losing their goodwill.

## He who laughs last...

But humour is equally potent as a shield for those on the receiving end. It has become something of a clichéd claim among comedians that they honed their comic talent from an early age as a way of avoiding being beaten up at school.

There are corporate equivalents. As Sir Allen Sheppard explains: "One way of heading off any criticism is to laugh at yourself before anyone else can." Or, again, as Sir Brian Wolfson, the chairman of Wembley, says: "Self-deprecation goes down rather well in Britain – people will always join in if you invite them to laugh at you, with you."

In such instances humour can be interpreted as a sort of surrender message which disarms an aggressor. By pre-empting the laughter of others, we steal their ammunition. "He who laughs last. . .," according to one 12-year-old, "wanted to tell it himself." Accusations of fecklessness or stupidity lose their impact if the guilty party has already voiced them.

Humour also helps with the personal management of defeat. A problem which seems liable to overwhelm us can be reduced to its rightful proportions by an injection of humour. A reminder, say, that "we're all worm-fodder in the end" may be enough to put any failure into perspective.

It is a kind of humour which finds its most noble expression in "gallows humour" as demonstrated by the apocryphal last words of the test pilot about to crash: "Cancel that last meal".

More sustained evidence of gallows humour was observed by AJ Obrdlik, during the Second World War. His research on the Czechs under occupation showed how the sharing of jokes poking fun at the Nazis sustained group cohesion and helped to continue resistance. This reinforces the use of humour as a bonding device.

Humour is a channel through which employees with different backgrounds can share a common experience, and in the process come to know and accept one another. Its use creates a conspiracy, a sort of corporate joke lore. To laugh is to pledge allegiance to that conspiracy. Not to laugh is to risk ostracism.

Humour can be directed at someone in the group who either has not learned or else has violated the norms of the group. Collective laughter adds weight to the implied criticism and makes the miscreant more likely to take it on board. Group solidarity is maintained and correction is achieved without confrontation.

Within companies then, humour is an essential force in the shaping of the organisational culture. It serves as a means of achieving consensus, of exercising social control, and of promoting competition with rival firms.

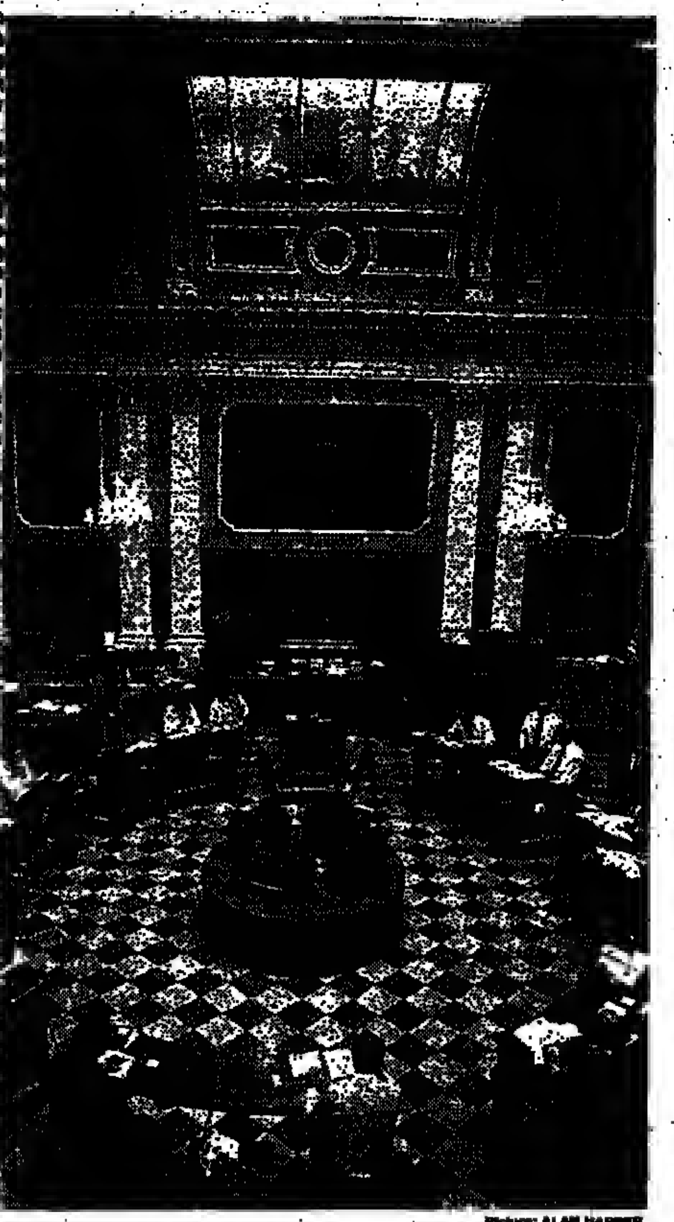
It is surely time we paid more attention to the use of humour in "getting things done through other people" for, as Sir Brian Wolfson sees it: "Humour is one of the least understood and most valid tools of management and leadership. The appropriate use of humour can defuse, amuse, motivate, challenge, and completely change the atmosphere."

A FINANCIAL TIMES SERIES: Part 6

# EUROPEAN FINANCE AND INVESTMENT

# IRELAND

In the past four years, Ireland has had a high growth rate, but is very dependent on foreign investment, and vulnerable to recession elsewhere. The growth of financial services is a vital part of strategy in the challenges ahead, writes **Kieran Cooke**



Picture: ALAN HARPER

Affected by global uncertainties, the Dublin stock exchange has quietened as enthusiasm for flotations has waned

## 'Now the time for progress'

THE rise of the financial services industry in Ireland neatly dovetails with the coming to power of the government of Mr Charles Haughey, the Irish Prime Minister, in early 1987.

One of Mr Haughey's first acts as prime minister was to give the go-ahead for a new International Financial Services Centre (IFSC), to be built on a derelict docks site on the banks of the Liffey river in central Dublin.

The first phase of the building programme – Ireland'e biggest single privately financed construction project – has now been completed, and the IFSC is open for business.

Eventually the project, incorporating several office blocks, a hotel and a marina, is likely to cost I£500m. So far, about 165 local and international companies have been persuaded to set up operations in the new centre, employing more than 800 peopie.

While doubts persist about government targets being met concerning employment levels in the financial services sector, the outlook for the industry appears favourable. For the time being at least, critics who dismissed initial plans as unworkable have been silenced.

Financial services fit into a new image of Ireland eagerly promoted by Mr Haughey'e government. The Irish economy has traditionally been dominated by the agricultural sector, but this alone could never sustain a population expanding faster than in most other countries in Europe.

In the decades following the Second World War, attempts were made to develop an industrial base to combat rising unemployment levels. In recent years there has been considerable growth in the electronics industry in Ireland, with the country now serving as the main European base for many of the leading US electronics companies.

Attracting these new industries to Ireland became a central part of government strategy. Ireland could offer a highly educated, young population (half the Irish population is under 29). Generous tax concessions and grants were also

**For the time being at least, critics who dismissed initial plans have been silenced**

available. In the late '50s, legislation was brought in granting 25-year tax exemptions to some trading operations based round Shannon airport in the south-west of the country.

Those exemptions still apply. Shannon has become well known for its aircraft-related activities, particularly due to ths growth of GPA, now the world's leading aircraft leasing gronp. There has been also been substantial growth in the financial services related industries at Shannon – about 500 people are now employed with a number of companies in the airport vicinity.

In 1981, a 10 per cent corporation tax (compared to more than 30 per cent before 1981) covering the manufacturing sector was extended to service related industries. The government has successfully argued with the EC Commission that Ireland suffers from its geographical isolation within the Community, and speciai favours are need to counter this "peripherality". Last year the EC agreed to extend the period of the tax concession to the year 2005.

It also agreed to allow the approval of new projects for the IFSC until the end of 1994.

Mr Haughey's government has etaked a great deal on expanding the financial services sector and making sure the IFSC works. Unemployment, at 18 per cent, is a serious problem in Ireland. The government wants the centre to provide 5,000 jobs by 1993, and eventually to give employment to more than 7,000.

Achieving such employment levels in financial services forms part of the government's new national plan, unveiled in January this year. Called the Programme for Economic and Social Progress, the aim of the plan, according to Mr Haughey, is to "bring to reality the society of our dreams".

The new plan replaces the programme for national recovery, implemented wben Mr Hanghey came to power in early 1987. The language carries a clear message: recovery has been achieved; now is the time for progress.

The plan is ambitious. According to the government, it will transform Irish society in the course of the '90s. "Our objective *is to catch up with* our more developed partners as rapidly as possible, and to place Ireland firmly among the advanced European nations by the turn of the century," says Mr Haughey.

The plan, agreed between government, unions, public service workers and farmers, limits wage increases over the next three years to about 4.5 per cent per annum. In return the government has made various commitments on job creation, tax reform and on social spending.

The new plan has not got off to a particularly auspicious start. The unemployment rate is rising, and last month sections of the workforce at Ireland's power plants went on strike for more pay. The strike laeted for a week, causing severe economic and social disruption. The carefully nurtured image of social harmony disappeared. Other unions are threatening industrial action this summer.

Despite such setbacks, there is no doubting the considerable economic achievements of the past four years. Real GNP growth has averaged 4 per cent a year since 1986, compared to 0.5 per cent growth rates in the early '80s.

Inflation has been tackled in dramatic fashion; ten years ago prices were rising by nearly 20 per cent a year. Last year inflation was just over 3 per cent – one of the lowest rates in the EC.

A series of government cutbacks plus gains resulting from an overhaul of the tax collection system have brought the Exchequer borrowing requirement (EBR) down from I£2.1bn in 1987 to I£462m last year.

There has been progress in controlling a national debt of I£26bn. The debt is now equivalent to 110 per cent of national output, down from 131 per cent in 1987. But it is still a drain on precious financial resourcee and remains the central constraining factor on economic policy. Servicing alone now costs Ireland more than I£2bn a year, or I£40 a week for every worker in the country.

Over the last four years Ireland's balance of payments position has been transformed from a seriss of deficits to bealtby eurpluses. Exporte have grown from a little more than I£10bn in 1987 to more than I£14bn last year. The punt has maintained a strong position within the EMS.

Some economic storm clouds are gathering, however, which could partially blot out these achievements.

The implementation of long-delayed pay rises in the public sector, plus iower-than-expected tax receipts, has forced up borrowings to well above budget targets.

Increased welfare payments due to the rise in unemployment are likely to cause further problems.

With trade accounting for more than 60 per cent of GNP, Ireland has been badly affected by the economic downturn elsewhere, particularly in the UK, the destination for more than 30 per cent of Irisb exports. It is now expected that the growth in real GNP this year will slow to about 1.2 per cent.

The IFSC wae conceived when the international economic outlook was more promising. Now there is ever greater competition in tbs financial services eector, with several iocations chasing a limited number of financial institutions.

*Ireland argues it has the* edge for many types of businese. it has the labour resources. Tbe government insiets the financial services industry will be properly run and monitored, with adequate defencee against fraud and malpractice. It refutes any suggestion that the new IFSC is in any way a tax haven.

So far the IFSC has confounded the critics and won considerable business for Ireland. The challenge now is not only to ensure that the promised jobs are created: Dublin must show it has the makings of a truly international financial centre.

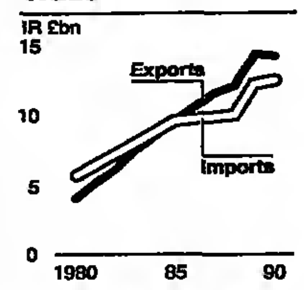
In the present tough economic times, it is not an easy task.

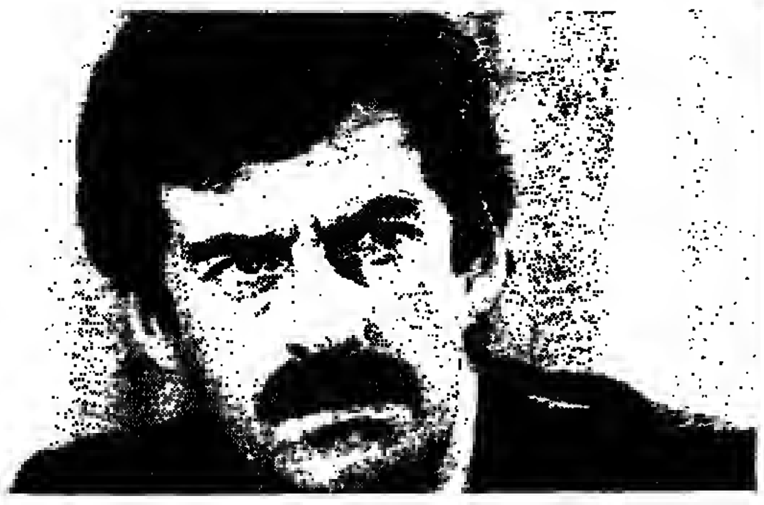
### IN THIS SURVEY

After the fray: a new president. Mary Robinson receives the seal of office last December 3. See page 2



Trade





Pictures by ASHLEY ASHWOOD and ALAN HARPER

The new generation: Labour's Dick Spring, left, and Bertie Ahern of Fianna Fail are two of those who wait in the wings.

**Kieran Cooke** charts the course of SS Irish Body Politic

# The smell of change is in the air

IRISH politics tends to sail happily aloog, course set, and calm in its own stretch of water. Theo some storm, in the form of an interesting scandal or bizarre event, breaks out. The SS Irish Body Politic is flipped over.

For the last few months Irish politics has beeo in the doldrums. The government, led by Mr Charles Haughey, appears firmly in control. Latest opinion polls give Mr Haughey's Fianna Fail party 50 per cent of electoral support. Mr Haughey himself continues to rate highly in the popularity stakes, with 56 per cent of the electorate satisfied with his performance.

Mr Haughey can argue that he heads one of the most stable administrations in post-war Irish politics. In power for four years, there appears little that can rock the government off its course.

But plenty of dangers lurk. The most serious obstacle to continued political stability is the structure of the Haughey government.

In June, 1989, Mr Haughey, annoyed with what he considered to be the obstructionist tactics of the opposition, called an election. It was an ill-advised decision. The electorate failed to give Fianna Fail a parliamentary majority and, for the first time in its history, the party which has dominated post-war Irish politics was forced to go into coalition.

The small Progressive Democrats party, formed out of a breakaway Fianna Fail group, extracted a price for its co-operation with Fianna Fail. Although the PD only has six seats in the Dail, the lower house of the Irish parliament, the party has two cabinet posts. Mr Desmond O'Malley, PD leader and an old sparring partner of Mr Haughey, has insisted on a considerable input into government policy. He has made increasingly strident demands for radical changes in the Irish constitution and fundamental adjustments in the economy, particularly in the area of tax reform. To many in Fianna Fail, the PD is a deeply irritating group which cannot be depeoded on.

Forced out: Brian Lenihan

Increasingly strident: Desmond O'Malley

The Fianna Fail faithful see treachery at every turn, none more glaring than the role played by the PD in the presidential election late last year. Fianna Fail's election candidate was Mr Brian Lenihan, deputy prime minister and minister of defence. Ooe of the country's most liked politicians, Mr Lenihan's election seemed assured.

Then an ugly storm blew np. Mr Lenihan was accused of lying about political events some years ago. The PD said Mr Lenihan must leave government or the party would no longer support Mr Haughey – and so provoke another general election.

Mr Haughey was forced to sack Mr Lenihan. The whole affair was badly handled hy Fianna Fail. Mrs Mary Robinson, candidate of the Labour party and the Workers party, became president.

There were many who expected great changes with the arrival on the scene of the redoubtable Mrs Robinson. In her victory address, Mrs Robinson talked much about the new Ireland. "The hand that rocked the cradle has rocked the system," said Mrs Robinson.

Yet the system has so far proved resilient to any great change. Normal service, on the surface at least, has heen resumed in government, with Mr Haughey's hand firmly on the controls. As president, Mrs Robinson has severely limited powers: in many ways she stood more chance of altering the system as a prominent barrister, fighting a variety of cases – from women's rights to issues of birth control – than she has as Ireland's president.

But Mrs Robinson's victory has had its effect. It has forced Fianna Fail – a party that has in the past tried to be all things to all people – to re-examine itself and its place in Irish society.

The traditionalist voice within the party has been weakened. Mrs Robinson's victory showed Ireland had changed. It was no longer the conservative, church-dominated society it was always assumed to be. Mrs Robinson talked of issues like birth control, divorce and gay rights, and still she won votes. Politicians have heen forced to respond to the new mood. Mr Haughey has emphasised the need to build what he calls a "modern, outward-looking and caring society" in Ireland.

Fine Gael, the main opposition party, changed its leader in the aftermath of the presidential election. Mr John Bruton, new head man at Fine Gael, has adopted a more combative political approach.

Mr Dick Spring, meanwhile, leader of the small Labour party, has grown in political stature in the year, particularly due to the role he played in the Robinson election.

Both Mr Bruton and Mr Spring are still in their early 40s and represent the younger generation in Irish politics. Mr Haughey, 65, has repeatedly dismissed suggestions that he might retire from the fray. Mr Albert Reynolds, at present minister for finance, waits eagerly in the wings, although there are many in Fianna Fail who want a generational change and would turn instead to Mr Bertie Ahern, 40, who has proved himself a highly effective minister for labour.

The old moulds of Irish politics are not being entirely broken but there is no doubt that change is in the air.

**John Maher** on the Treasury Management Agency

# The debt busters

IN 1989, officials at the Irish Department of Finance realised they were facing an unprecedented crisis. The government was losing its ability to manage the I£26bn national debt.

The sudden growth of Ireland's financial services industry in the late '80s has left financial institutions with a pressing need for experienced staff. Banks, insurance companies and stockbroking firms tnrned to the government's currency dealers and deht managers, and began to tempt them away from their positions with offers of salaries two or three times the civil service rates.

The government responded hy setting up a new treasury body which would work for the minister of finance, but could operate outside the civil service structure. Recruits could be paid market rates for their skills, and rewarded with the promotions and performance bonuses common in the private sector.

The National Treasury Management Agency was set np last December when Mr Albert Reynolds, minister of finance, revealed that annual interest payments on the national debt amounted to about I£2bn.

"Given the size of the debt and the cost of servicing lt, a very modest improvement in debt management can have a very significant impact on the public finances," said Mr Reynolds. The agency took over the Department of Finance's debt management functions, and responsibility for government borrowing. This included the issue of gilts or government bonds, a task formerly carried out by the Central Bank.

The government charged the agency with reducing the 1991 interest payment bill of I£2.2bn by I£40m. It expects greater savings in future years.

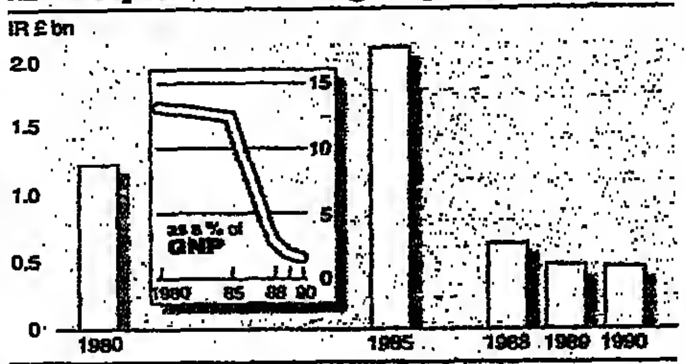
Most of the 30 people now employed by the agency are involved with setting np support structures such as the computer system. According to Mr Michael Somers, chief executive of the agency, a full complement of 70 to 80 staff should be in place by the end of the summer.

Ireland's foreign deht is made up of about 800 separata loans which total about I£9bn. One of the agency's priorities is to reduce the number of loans and refinance as many as possible, so that large repayments can be spread over a number of years. Most of the loans mature before the year 2003, with a large number of repayments due in 1995 and 1996.

"Our objective is to extend the maturities of some of these loans so that we do not face too great a burden in any one year," says Mr Somers.

Albert Reynolds, minister of finance: took in hand Ireland's annual I£2bn interest payments

**Exchequer borrowing requirement**




The agency's "marketing" staff will be concentrating on introducing Ireland to new lenders, principally in the US, and convincing them Ireland is a trustworthy horrower. This task has been made easier by recent improvements in the Irish economy which have prompted the US rating agencies, Standard & Poors and Moody's, to give Ireland a respectable AA rating.

The rating automatically increases the number of foreign institutions willing to listen to a presentation from Mr Somers and his staff. It also helps persuade the institutions to lend at more favourable interest rates. Ireland can expect to borrow in the US at 72 "basis points" above the US treasury rate (some developed countries borrow at more than 100 basis points). The points rating is significant: each additional point adds about US$200,000 to the cost of a 10 year loan.

"Essentially we play a cat and monse game with the banks," says Mr Somers. "You get the best terms from them when they think you do not really need the money."

The agency recently made its first foray into the US bond market with a short-term issue which will serve as a benchmark for a medium-term issue later this year. The facility allows the ageocy to borrow varying sums at short notice, to match unpredictable gaps between government income and expenditure. It also helps to fund existing loans, which can call for repayments of up to US$400m on one day.

Aside from the normal treasury functions of currency arbitrage and structuring debt between fixed and floating exchange rates, the agency is still active in the Irish gilt market. German institutions have been the most prominent foreign buyers of Irish gilts, particularly during the mid '80s when Irish gilts offered yields 4-8 per cent greater than those available in Germany.

As the Irish economy has improved and the government has worked to maintain a strong Irish pound within the EC's Exchange Rate Mechanism, the perceived risk of buying an Irish gilt has diminished, and yields have been reduced to 1-1.5 per cent above German levels. The lower yields save the agency money, but they also make it harder to keep foreign institutions interested.

"We have to continually ensure that foreign institutions are kept informed of developments in Ireland so that they will be happy to accept the lower yield," says Mr Somers.

The agency both buys and sells in the Irish gilt market, which is worth about I£13bn. "The fact that we are prepared to qnote prices for gilts gives institutions a tremendous amount of comfort, says Mr Somers. "We are probahly more active than equivalent bodies in other countries but the market is too small for us to simply sell and walk away."



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**Barry Riley** on the International Financial Services Centre

# Fighting the competition

THROWING a party at the Shelbourne Hotel two weeks ago, Morgan Grenfell, the London merchant bank, became the hundredth company officially to set up operations as part of Dublin's International Financial Services Centre. Morgan is transferring some £140m sterling of investment funds to a Dublin domicile and will be adding fund administration and asset financing services.

In fact, as many as 165 companies have now been granted the necessary certificate from the Ministry of Finance entitling them to set up within the IFSC, but the other 65-odd are still in the process of setting their plans into motion.

According to Mr Brendan Logue, manager of the financial services programme at the Industrial Development Authority of Ireland, applications have been coming at the rate of abont 10 a month recently. This is well up with the originally scheduled rate of progress when the IFSC was launched in 1987, bnt there needs to be a qualification here, because the original targets were quoted in terms of jobs – where the objective was for 5,000 – and only 800 jobs have actually been created so far.

Apart from the international capital market operations being set up by the big local banks, AIB and Bank of Ireland, where employment runs into hundreds, the typical IFSC company is expecting to employ between 15 and 25 people. However, job commitments so far total 2,800 and the IDA, which markets the IFSC worldwide, is confident thet the original targets will be reached.

A problem is the recession in the international financial services industry which may be making some companies relnctant to take on new commitments. However, according to Mr Logue the increasing competition among international institutions is a positive factor for Dublin. "Most hanks are seeking to have a portfolio of locations," he says, "and for competitive reasons they need to be able to offer services ex-Dublin."

Ont of the hundred published IFSC participants there are five Japanese banks, five German, eight Danish, five British, three American, and a number of others, including three Irish banks. Some countries, such as France and Italy, are less well represented than, say, Japan or Germany, which may reflect particular tax factors or simply the success of the IDA'e marketing drive in those countries.

In one respect the recession may have been helpful. One of the objectives of establishing the centre was to attract back some of the many thousands of Irish expatriates found in the financial services industry worldwide, and the recent bard times in many financial centres have encouraged repatriation, for all Ireland'e daunting personal tax rates.

**One of the objectives of the centre was to lure back some of the thousands of expatriates in the financial services industry worldwide**

"Hardly a day goes by that I don't get an application," says Mr David McCabe, managing director of Bank of Ireland International Finance. "The file is full of CVe from New York, Sydney and London."

Ready availability of skilled staff has from the start been one of Dublin's key advantages over rival "offshore" centres such as Luxembourg or the Channel Islands. It also has the benefit of excellent telecommunications.

What it has lacked, perhaps, has been any kind of clear image in the international financial community, and inevitably that will take time to build up.

In the meantime, Dublin has the benefit of attractive tax breaks within the framework of the EC, and is well worth considering as the base for EC-wide financial services in the context of the approaching single market in sectors such as investment funds, banking and insurance.

IFSC companies are liable to tax at only 10 per cent, a concession recently extended by agreement with the EC from 2000 to 2005.

Companies will be able to take advantage of this regime so long as they are approved by the end of 1994.

The physical manifestation of the IFSC is clearly taking shape. The Centre was an urban redevelopment plan as well as a job creation exercise, and modern buildings are arising on the Custom House Docks eite on the northern bank of the River Liffey.

The AIB'e capital markets divisions is already installed, and some 650,000 square feet of space are either completed or nnder construction. As moch as 1m square feet should he occupied by the early part of 1994.

The big Irish banks are leading the way into the Centre (Bank of Ireland is dne to transfer next November) but other operators are unlikely to rush. At present they are functioning under interim arrangements in premises all over Dublin, subject to an undertaking that they will move to the dock site when suitable accommodation becomes available. But because costs in the new development will be higher, some companies may be tempted to drag their heels, depending of course on how well their business develops.

There is bound to be uncertainty about this in the middle of an international recession. In order to obtain certificates, financial services companies must submit a husiness plan detailing the activities they will pursue and the numbers of employees they expect to hire.

There is some concern that caution may be leading companies to pitch their ambitions rather low. Certainly it is not easy for them to predict just how thiogs might work out within the IFSC.

"Once they set up, and begin to feel at home here, they find they can often do higher volumes of business than they expected," claims Mr Logue.

Mr James Ruane, managing director of Bank of Ireland's corporate hanking division, confirms that there can be unexpected opportunities. "People are doing things in the IFSC that they had no idea they would be doing when they went in there," he says.

The active backing of the Irish government is a key factor in the rapid growth of the Dublin Centre. Rapid implementation of EC directives on financial services can give compenies operating out of Dublin an important advantage compared with those operating from financial centres where legislative response is slower.

And in this year's Finance Bill the government is proposing special tax privileges for international life aseurance companies which could open up a new area of activity for the IFSC.

Altbougb otber offsbore insurance business is well represented in the IFSC, mostly in the area of captive insurance companies which handle general risks for their corporate parents, life assurance according to Mr Brendan Logue, "was seen as a gap in the range of services we could offer".

Now, be hints, two life companies, one of them British, are very interested in taking advantage of the new rules.

**KEY FACTS**

Charles Haughey, the prime minister, in confidenl mood

| | |
|---|---|
| Area | 68,890 sq km |
| Population | 3.5 million (1990 astimate) |
| Head of State | Presidenl Mary Robinson |
| Currency | Irish Pound (I£) |
| Average Exch Rate | 1989 I£1=$1.42 1990 I£1=$1.66 |

**ECONOMY**

| | 1989 | 1990 |
|---|---|---|
| Total GDP ($bn) | 33.9 | 42.8 |
| Raal GDP growth (%) | 5.9 | 3.6 |
| GDP per capita ($) | 9,697 | 12,229 |
| Consumer prices (change pa) | 4.0% | 3.3% |
| Ind. production (change pa) | 11.6% | 4.7% |
| Unemployment (% lab force) | 17.8 | 17.3 |
| Raserves minus gold ($bn,Dec). | 4.1 | 5.2 |
| M1 growth (% pa) | 13.7 | 7.5 |
| ISEQ Index (% change in year). | +28.1 | -31.8 |
| Discount rate (% pa,year end) | 11.30 | 10.25 |
| 3 month treasury bill rate (% pa, average) | 9.47 | 10.62 |
| Long term govt bond yield (% pa, average) | 8.95 | 10.08 |
| Current Accounl Balance ($bn) | 0.5 | 0.2 |
| Exports ($bn) | 20.8 | 23.9 |
| Imports ($bn) | 17.5 | 20.7 |
| Trade Balance ($bn) | 3.3 | 3.2 |
| *Main Trading Partners (1989)* | Exports | Imports |
| UK | 34% | 41% |
| West Germany | 11% | 9% |
| France | 9% | 4% |
| USA | 8% | 16% |
| EC Total | 74% | 66% |

*Sourca:IMF, Datastream, Economist Intelligence Unit*

The private sector carries the burden of corporate tax 'perks', writes **Barry Riley**

# In search of a compromise

IRELAND HAS long had one of the world's most generous, if selective, tax regimes for the corporate sector. Since 1980, tbe incentives have been mainly focused on the manufacturing sector, which has benefited from a corporation tax rate of no more than 10 per cent (against the standard rate of 40 per cent, which has been higher in the recent past). Last year the time limit of this relief was extended from the year 2000 to 2010.

The argument has been that Ireland is disadvantaged in terms of geographical location and natural resources, and so it needs to provide special fiscal incentives in order to attract industry to set up within the Emerald Isle.

Within the EC, Ireland forms one of a group of small, ontlying nations – Portugal and Greece are others – which argue that the weakness imposed by their peripherality must be compensated for by regional aid of various kinds. They must also be allowed to offer fiscal attractions which would normally be denied by the EC's harmonisation principles, certainly in the context of the single market due to open for business at the beginning of 1993.

In 1986 the idea crystallised that the tax incentive concept might be extended from manufacturing to a particular category of exportable financial services which could be isolated from the domestic market and located in a special site in Dublin. In a way this was an extension of the free trade zone concept dating from the '50s which had already led to the development of leasing companies and other financial businesses in Shannon.

The European Commission consented to the extension of manufacturers' tax privileges to financial services, although this involved building an artificial ring fence around the designated activities to separate them from the domestic market. The concession was originally made available up to 2000, but this year it has been agreed that there will be an extension, albeit only to 2005 rather than 2010 as for manufacturers.

**It will be increasingly difficult to balance the books by hitting the personal sector hard**

Moreover, new certificates entitling companies to the privileges of membership of the International Financial Services Centre will only be issued up to the end of 1994. Companies will then have another ten years in which to make the most of the 10 per cent tax rate.

Other privileges may be available. For instance, buildings can be written down at an accelerated rate, and there is a ten-year exemption from local anthority taxes within the Custom House Docks area where the IFSC is located.

The government argues that the 10 per cent tax it collects on the profits of financial services companies in the docks site will be a pure extra gain to the Treasury, because the companies would not be there but for the attractions of the fiscal regime.

But in general the tax privileges offered to the corporate sector have had to be balanced by heavy charges elsewhere. Corporation tax is budgeted to provide only 6 per cent of the total tax take for 1991, against 14 per cent in, for example, the UK.

Therefore the government is under some pressure to increase taxes on domestic companies, and in this year's Budget it took further action to curb so-called "Section 84" lending, whereby banks have sheltered their profits against tax by advancing certain kinds of finance to the corporate sector. At the same time the government has continued to impose a special levy on bank deposits.

With the approach of the single market it has become impractical to maintain the very high rates of direct and indirect taxes on the personal sector. The top rates of income tax have come down from more than 60 per cent, hut the effective top rate is still 54.25 per cent and this is payable at quite low income levels. Emigration rates remain high, especially among those with valuable ekills and edncational qualifications.

There has also been some easing of excise duties and VAT, and this year's cnt in the upper VAT rate of 23 per cent to 21 per cent leaves it not so far out of line with the UK, now that the British rate has gone up to 17.5 per cent. The Irish newspapers are etill, however, full of smuggling stories, for instance of petrol tankers plying regular routes across the border in the north.

Ireland is perfectly free to cbarge low corporation tax rates if it wants to, but in practice it is going to find it increasingly hard to compensate for this by hitting the personal sector hard by EC standards.

The IFSC's special tax regime is basically unfair to other EC member states because they cannot reach the Irish market through Dublin whereas IFSC companies have free access elsewhere, helped by the favourable tax break. The key element here may be whether docks site firms can make effective use of Ireland's valnable network of 22 tax treaties – a feature lacked by other offshore centres such as, say, the Channel Islands.

Hence the insistence that IFSC operations must have enbstance, and must not be merely brass plate ontfits. Nevertheless some of the business passing through does indeed appear to be largely tax-based.

If the growth of the Dublin International Financial Services Centre proves to be provocative, some of those donble tax agreements might conceivably be in danger.

Peripberal Ireland may be worthy of help, bnt it needs to be a good neighbour too.

**John Maher** on the equity market

# A more vigorous mood develops

THE start of the government's privatisation programme has brought new life to the Irish equity market, following its disastrous 30 per cent fall in 1990.

Along with other markets, Dublin was seriously affected by the Gulf war. Although business picked up once hostilities were over, there were soon fears that investors' resources had been exhausted.

However, the mood began to change with the arrival on the market last month of Greencore, formerly the state-owned Irish Sugar Company. The partial privatisation of Greencore marked the beginning of a privatisation programme which may eventually include Aer Rianta, the airports authority; Aer Lingus, the national airline; Telecom Eireann, the state telephone service; and parts of the ESB, the national electricity company.

The Greencore offer was several times oversubscribed, both by institutions and by thousands of individual investors seeking the minimum holding of 100 shares.

In early trading Greencore shares quickly achieved a 15 per cent premium on their offer price.

Now the market is enthusiastically awaiting the flotation of Irish Life, the most successful of the state-owned enterprises. The flotation, which is likely to value the assurance company at about I£500m, is expected within the next few months.

GPA, the Shannon aircraft leasing and finance group, is rumoured to be preparing to come to the market next year. Recent share deals value the privately-owned company at about $2.5bn. Market analysts say the flotation may involve increasing GPA's equity by about $1bn.

The Irish equity market has traditionally been dominated by a handful of large companies. The Smurfit paper and packaging group accounts for 17 per cent of current total market capitalisation. Other stocks which dominate the market are CRH, the construction material supplier, and the two main domestic clearing banks, AIB and Bank of Ireland.

**Only 40 per cent of the earnings of companies quoted on the Irish stock exchange originate in the domestic economy**

The precipitous fall of the market in 1990 was largely due to the overseas exposure of the leading companies.

Only 40 per cent of the total earnings of companies quoted on the Irish stock exchange originate in the domestic economy.

The rest comes primarily from the US and the UK, where the leading companies expanded with varied success in the '80e as they outgrew their home markets.

Although the Irish equity market has risen by more than 20 per cent this year, the effects of last year's misfortunes are still being felt, as companies report their 1990 figures. Smurfit profits fell by 30 per cent last year, although earnings per share rose. The Irish equity market has been partly ineulated from the group's activities abroad hy the restructuring which leaves Smurfit's US operations in the hands of a private associate company.

Bank of Ireland continues to suffer directly from losses at its US acquisition, the First New Hampshire Bank, and it has drastically scaled down its UK operations.

AIB'e US venture, First Maryland Bank, has been more successful, but the group has caneed nervonsneee by announcing an intention to acquire another US bank, York Trust of Pennsylvania. Thc normally reliable CRH has issued a rare profits warning.

Nonetheless the success of the Greencore issue and high trading volumes suggests investor faith will eurvive a depressing reporting season.

Although 11 companies were expected to come to the market for the first time in 1990, only three arrived. The Irish stock exchange is predicting renewed interest in 1991 and 1992. At least 15 companies are now said to be preparing for flotation, and there are hopes that under-represented sectors of the economy, such as the retail and transport sectors, will follow the food and packaging sectors in the search for fresh funds.

"The market is nearing the end of a shake-up which has resulted in the departure or reorganisation of the less efficient companies," says Mr John Conroy, an investment analyst at National City Brokers in Dublin.

"A healthier, more vigorous market will emerge, which will be more attractive to foreign investors."

An uneasy imbalance has arisen, writes **Kieran Cooke**

# The down side of the investment boom

LEIXLIP, a small market town about 10 miles from the centre of Dublin, has recently acquired a chunk of California.

Intel, Silicon Valley's leading semicondnctor manufacturer, has opened its first European production facility, a systems assembly plant, on the outskirts of town. Construction of a more advanced plant started a few weeks ago.

The Intel project, involving expenditure of more than I£250m and the plannsd employment of 1,800 people, is part of a recent rapid expansion of the electronics industry in Ireland. A great deal of foreign investment over the past ten years has focused on the electronics sector.

There have been other projects, such as the large Alcan alumina smelter development near Limerick, which employs 650, and the Fruit of the Loom textile factory in Donegal, which has rapidly expanded to become one of the country's biggest employers.

It is the electronics sector, however, which is at the heart of Irish investment strategy.

Twenty years ago the Irish electronics industry employed fewer than 5,000 people and accounted for about 5 per cent of industrial exports. Now more than 250 firms – mostly foreign controlled – employ 27,000 people, and electronics exports are worth more than I£4bn a year, nearly 20 per cent of the total value of exports.

In the old days, Ireland functioned as an assembly base for the electronics multinationals. The Industrial Developmsnt Authority (IDA), the energetic state body responsible for attracting inward investment, boasts that Ireland is now coming close to having a fully integrated electronics industry.

The intel investment and other projects represent a considerable coup for the IDA. The competition for such investment is intense: Scotland is one of Ireland's main rivals in the electronics field.

Most of the big names in electronics have operations in Ireland. in the last 18 months alone the IDA has announced 28 new projects, with the promise of 10,000 new jobs. Ireland is now the top location in Europe for new investments by US electronics multinationals.

Ireland has one of the highest unemployment rates in Europe, with 18 per cent out of work. The foreign companies have brought needed jobs. There are, however, fears about the fnture. As many multinationals face difficult times, the local economy is suffering. Plants have closed and workers have been laid off. Some multinationals are delaying investment plans.

There has been a turnaround in Irish economic performance in the last four years. Annual GNP growth has averaged more than 4 per cent aince 1986, compared to 0.5 per cent in the early years of the decade. Healthy trade surplnses have been achieved in each of the past four years, with exports rising from just over I£10bn in 1987 to more than I£14bn last year.

Much of this improved performance is due to increased activity by the multinationals, particularly in the electronics sector. Now, as they reconsider plans, fears are heing expressed that Ireland has become over-dependent on the foreign controlled sector.

Nixdorf, the German electronics firm, closed its manufacturing operation in Ireland last year. Maxtor, the US manufacturer of computer disc drives, was to have moved on to the Nixdorf site and created 1,500 jobs. Maxtor now says it is postponing its plans in the face of uncertain demand for its prodncts. Digital, ths US electronics firm which has been in Ireland since the early '70s, is laying off workers and relocating others.

The multinationals have been attracted to Ireland by a 10 per cent corporation tax, assurances that all profits can be repatriated and a ready access to cheap finance. (The IDA is helping the Intel project with an I£87m investment.) With half the Irish population under 28 years of age, foreign companies also have access to en abundant supply of skilled labour.

The IDA warns, however, of a shrinking pool of mobile investment and ever greater competition. Tha days of announcements of thousands of new jobs being created could be at an end.

Meanwhile, according to Mr Kieran McGowan, head of the IDA, Irish companies are not investing enough and are failing to respond to the challenges of a new Europe.

"It is really extraordinarily difficult to encourage Irish firms to become more international and compete," says Mr McGowan. "Many Irish companies are still family owned and have been very slow to change. They are also very small. There are only 150 Irish companies with a turnover of more than I£5m."

Moore Street market to stock market in Dublin: concerted efforts to change Ireland's image have paid off. The old image of an economy centred on primary industries has given way to the picture of a modern financial centre

**Brendan Lynch** on the Irish view of Emu

# Dublin's interests are at odds with British policy

THE Irish government enthusiastically endorses the principle of EC economic and monetary union (Emu).

It is not, however, particularly enthusiastic about the existing proposals, either from the European Commission, or the present Luxembourg EC presidency. The government feels those proposals represent an inadequate framework to ensure that economic cohesion and convergenca can be attained within a reasonable timespan.

There is a need for some new provisions: Dublin is concerned that the direct consequence of Emu could be disadvantageous to less favoured peripheral regions like Ireland.

Also it wants there to be greater flexibility in the proposals to allow the system to deal with unforeseen economic events.

Economic cohesion is a central guiding objective of Emu. Emu makes very little sense without it. There is growing dissatisfaction in many EC regions, however, with the way soms states are interpreting the term.

Ireland's main concern with Emu is to secure and sustain a high investment rate. This would allow, on a substantial scale, for both capital widening and capital deepening in the economy.

This is the necessary response to Ireland's combined problem of low average incomes and high unemployment. Capital deepening is needed to ensure continned high productivity, vital to maintain competitiveness in Irish trading sectors and to allow Irish incomes to catch up with the EC average. Capital widening is needed to promote a high rate of jobs growth, to make inroads on Ireland's high unemployment rate.

The National Economic and Social Council is a forum for analysis of the main economic issues which face Ireland, and is made up of unions, employers organisations, farmers and government officials. In its seminal 1989 work, "Ireland in the European Community: performance, prospects and strategy", it outlined the opportunities but also the challenges and potential problems economic union poses for Ireland.

**The risk that centripetal forces would dominate in Emu was exhaustively illustrated in a National Economic and Social Council report**

This analysis was endorsed subsequently by the Irish government.

Increased sums of EC structural funds are obviously of benefit to Ireland, but on their own are inadequate to ensure tha high investment rate which is Ireland's principal economic objective in Emu.

It is vital that the framework of Emu itself is structured to achieve full economic cohesion in the EC.

Ireland, with its small open economy, does not share the British concern of losing monetary policy autonomy under EC monatary union – the principal negative effect for Ireland is that a single currency would not permit a devaluation of the Irish pound.

If the UK were a full participant in EC monetary union, this policy constraint would have no significance. Ireland would be free to enjoy the substantial positive benefits of monetary union: the sama interest rates as Germany and France, no currency risk for trading companies, no currency transactions costs, and no cross border trade distortions.

The opposition of Britain to monetary union is a cause for uncertainty in Ireland. If Ireland were to join any fast track to monetary union in the near future (which it is well qualified to do on inflation and balance of payments criteria), it would probably find itself on a different track to the UK.

The UK is not only Ireland's largest trading partner by far, it also contains part of the island of Ireland and therefore a shared land border. Irish membership of any fast track to EMU in such circumstances is likely to create more economic losses than gains.

With a general election inevitable in the UK before the summer of next year, however, there is a serious prospect that there will be change in the UK stance on Emu. It is very possible that a more pragmatic pro-regional policy could emerge in the UK by late 1992.

If such a situation were to arise, Ireland's best interests would undoubtedly be to seek common ground with the UK, and possibly with Spain, to formulate a detailed "Atlantic" proposal for the framework of Emu.

Such circumstances would probably provide Ireland with its best political opportunity of securing adequate provisions within the Emu framework to ensure genuine economic cohesion in the EC. It would also ensure that Ireland travels towards Emu on the same track as the UK.

The "Atlantic" position should be well capable of securing majority support in the EC Council of Ministers. Such a position would include the already stated essentials of Emu, such as a single currency and a European central bank.

It would also stress that member states and regional authorities be allowed as much scope as possible to stabilise regional economies and stimulate economic growth when it falls significantly below the EC average.

In this way the new EMU framework would be forced to facilitate economic policies necessary to ensure that less favoured regions, like Ireland, could catch up with the EC averages for productivity, real incomes and GNP per capita.



**Barry Riley** examines the domestic banking scene

# The European threat to domestic market bliss

ASK AN Irish banker about the geographical division of his operations and he will mention Ireland and the United Kingdom and the United States.

But what about Europe?

Until now the leading Irish banks have been safe within their emerald stronghold. The big two, Bank of Ireland and Allied Irish Banks, have about 40 per cent of the market each. The rest is divided between National Irish, now Australian-owned; Ulster Bank, a subsidiary of the UK's National Westminster; and a few building societies which figure in the retail sector.

Competition has intensified to a degree during the past few years, notably as the banks have gone after part of the building societies' mortgage market, bnt the banks still retain high cost branch structures throughout rural Ireland: branches stay firmly shut at lunchtimes and on Saturdays.

They may calculate that Ireland is too small a market and the cost of entry is too high to permit the arrival of significant new competition. But they have to be ready for any challenges. There have already been rumours, for example, that the UK's biggest building society, Halifax, might consider expansion into the Irish market. And in the commercial sector, ths French giant, Credit Lyonnais, has bought a stake in the leasing company Woodchester Investments.

In fact, so far conditions within Ireland have remained fairly stable. "The economy is in reasonably good shape," says Mr Brian Wilson, head of AIB's domestic operations, although he admits that credit demand has slowed.

Foreign banks bore the brunt of last year's spectacular crash of the meat empire built by Mr Larry Goodman.

The main recent problems have arisen over the exposure of the Irish banks to the difficulties of the UK and US. Bank of Ireland's pre-tax profits tumbled during the year ended March 31 from I£134m pre-tax to I£53.5. Domestic profits were somewhat higher overall bnt there were overseas losses of about I£110m, a little under half in the UK and the rest in the US where the troubled New Hampshire subsidiary is heavily exposed to the New England lending crisis.

Bank of Ireland's tronbles forced the resignation of the previous chief executive Mr Mark Hely Hutchinson last year and his replacement in February this year by Mr Pat Molloy. In July, too, Mr Louden Ryan is retiring as governor in favour of Mr Howard Kilroy of Jefferson Smurfit and Waterford Wedgwood.

AIB is much more strongly placed, and was able to nip in with the timely purchase for £111m of TSB's 56 branches in Northern Ireland at the beginning of this month. It now claims a 25 per cent market share north of the border.

Nevertheless, AIB last week announced a 25 per cent fall in its profits for the year to the end of March to I£179m pre-tax, because of losses in the UK and a sharp downturn in its US operations; fortunately, however, its Maryland zone of activity is much healthier in banking terms than New England, and the US business has remained in profit.

But AIB made no friends at home by raising £160m last year through a rights issue to finance a $217m bid for Baltimore Bancorp which in fact was eventually withdrawn because of the deterioration in the US banking environment.

Now there is the potential challenge to the Irish market from the introduction of a single market in banking and other financial services within the European Community, from the beginning of 1993.

The immediate threat is not that foreign institutions will invade Ireland, but that the dismantling of remaining barriers to capital flows will cause money to drain from Ireland unless the tax regime is changed.

**Troublesome foreign adventures have cast doubts on the ability of the managements to succeed outside domestic markets**

Most exchange controls have already been relaxed, but once residents are able to set np bank accounts overseas there is concern that there will be significant evasion of the unpopular deposit interest retention tax which dates from 1986. This so-called DIRT has been a big revenue raiser at the current rate of 29 per cent, and although it is planned to fall along with the standard rate of income tax to 25 per cent over the next two or three years, bankers fear that outflows could be serious.

Furthermora, the "temporary" deposit levy originally imposed on the banks in 1981, and continued ever since, has only been sustainable within the context of a protected domestic market place. It has the effect of raising the cost of resources, and in an open market would damage the competitiveness of the Irish banks.

The banks therefore insist that it must go, but it raises some I£50m a year so abolition could create a nasty gap in the Treasury's revenue flows. Arguably, however, ending the levy could be regarded as a *quid pro quo* for the phasing ont of tax-based Section 84 lending.

But what about the banks' own strategies for Europe? Being tiny by European standards their options are few, and a merger between Bank of Ireland and AIB to create a more powerful institution, perhaps on the lines of last year's merger of ABN and AMRO in the Netherlands, would be seen as domestically unacceptable because it would create an effective monopoly.

Possibly there could be formal associations with other European banks, on the lines of Royal Bank of Scotland's link-up with Banco Santander in Spain. But it would be a formidable task to create an adequate Europe-wide network in this way.

Any takeover of a leading Irish bank by a foreign institution would further increase Irish fears of vulnerability as a "branch economy". Under 1989 legislation the government does have the right to refuse permission for the foreign takeovar of a bank – although there are worries that this may not be compatible with European Community law.

Possibly it will be new and unexpected developments in banking technology and in the structure of the retailing of financial services that will dictate the outcome. In the meantime, according to Mr Brian Wilson, the banks must secure their defences.

"We have already been working hard to reposition ourselves. We have got to be strong and vibrant in our home market," he says.

ARTS

# Off-the-wall prize night at Cannes

We came, we saw, we goggled in disbelief. On prize night it was clear that fatigue and/or madness had attacked the jurors as it had threatened to attack us humbler festivalgoers. For the third successive year the Golden Palm went to an off-the-wall American film that deserved at most a Prix de Bizarrerie. After *sex, lies and videotape* (1989) and *Wild At Heart* (1990), the Coen brothers' black comedy *Barton Fink* won the 1991 Palme d'Or, plus prizes for Best Direction and Best Actor (John Turturro).

Surely a case of honorific overkill? From the makers of *Miller's Crossing* here are two wild and wacky short stories pretending to be one film. Though sharing the same hero, a struggling screenwriter in 1940s Hollywood (Turturro), one plot-strand shoots off into a series of skits on studio moguls, the other stays in Mr T's seedy hotel and shapes a murder tale about a psychopath in the next room (John Goodman). Stylish and sophomoric in equal proportions, the movie melts in the mind: especially when set next to a French film that was fobbed off with the runner-up Grand Jury Prize.

A 3¾-hour Jacques Rivette work would normally sound as tempting as a general anaesthetic. But *La Belle Noiseuse*, updating a Balzac story, is a delicious teaser about a painter (Michel Piccoli) trying to end a ten-year "block" by painting a new and nubile model (Emmanuelle Beart). The two enact their *corrida* of creativity in a cavernous studio, she forcing his emotions to the surface, he coaxing her nude body into positions previously known only to the Kama Sutra or the Spanish Inquisition. Meanwhile, artist's wife Jane Birkin and model's husband David Bursztein pace the Piccoli estate, like anxious spouses waiting for the birth of what they hope (but doubt) is an artistic offspring related to them.

The film spends loving minntes watching the artist's hand sensitively, passionately, deflowering blank sheets and canvases. (In close-up painter Bernard Dufour's hand substitutes for Piccoli's.) It is a dazzling study in the birth-pangs of art and the growing-pains of art's relationship with life and love. Not since *Celine And Julie Go Boating* has Rivette found a plot of such wit or such deep-water humanity.

Maurice Pialat's *Van Gogh*, a second French epic about a painter, seems trite by comparison. Another clock-stretcher at 185 minutes, it follows mad Vincent (Jacques Dutronc) around Paris and Auvers before reaching the banal conclusion that he died of unfulfilled love rather than unfulfilled art. There are pretty cornfields and river scenes: otherwise, skip the film, wait for the surely inevitable TV mini-series version.

As the festival pushed towards Palm night, Cannes filled up with Hollywood latecomers. As well as the prize-destined Coens, Ridley Scott arrived with a thumping chase comedy in *Thelma And Louise*, starring Susan Sarandon and Geena Davis. And superbrat Sean Penn took time off from being flashbulbed with ex-wife Madonna to unveil his writing-directing debut, *The Indian Runner*. Penn's film was the best American work in the non-competitive Directors Fortnight. Crackling like a forest fire from frame one, the story of e violent returning Vietnam veteran (Viggo Mortensen) and his family's vain attempts to stabilise him has a wondrous command of movie vernacular.

The script is slangy but expressive, the camera restless but purposive. And the minor characters are drawn with e piquant immediacy we have not seen since the heyday of Robert Altman: from the batty town gossip in mauve dress and pill-box hat to Charles Bronson and Sandy Dennis adding years to their faces and cubits to their acting stature as the hero's parents.

In an unhistoric but enjoyable Cannes festival, even the let-downs were non-lethal. Theo Angelopoulos's *The Suspended Step Of The Stork* is another minimalist marathon from the Greek director of *The Travelling Players*. But this one has Marcello Mastroianni to part-motorise the plot about an incognito politician hiding in a refugee border-town. And David Mamet's lively, fitful *Homicide*, crossbreeding police thriller with paranoia fable, has Joe Mantegna chewing up the scenery as a cop investigating anti-Jewish conspiracies. Something for everyone, in short. With the possible exception of poor Spike Lee, who must have thought he had a chance et the Golden Palm with his praised and powerful race drama *Jungle Fever*. But as happened two years ago with *Do The Right Thing*, the jury left him empty-handed. Is there? – could there be? – shock horror, dare we even think there is? – racism at work in sunny, enlightened Cannes?

**Nigel Andrews**

Golden Palm winner: Joel and Ethan Coen's black comedy 'Barton Fink', which also scooped prizes for Best Director and Best Actor (John Turturro, left)

TELEVISION

# Chat, drama, sitcoms and underpants

My determination never to miss a chat show when Miriam Margolyes is among the guests paid off again on Friday when she took hold of the *Wogan* show and tried draping it across herself in various poses, eventually wandering off playing with it as the audience, presenter, and fellow guests pursued breathlessly, with unbelieving ears. She began by announcing that 20 years ago she had had e hysterectomy and it made no difference, provided you hung onto your ovaries. But the remark which turned the rest of the show into something like a scatological version of Lewis Carroll was "Joan Collins says the most marvellous things, she asked me 'Why do you fart so much?'" From that point on Nigel Havers and Tony Slattery found themselves running just to stay still, while the rest of us tried to stop laughing long enough to hear the next incredible line.

★

Havers was on BBC1's *Wogan* to promote *A Perfect Hero* which began later that evening on ITV. At least this six-part drama does not look like something worked up as a teaching aid by a sub-committee of the local social services department, but it is (so far) very nearly as predictable as all those recent series. People refer to each other as "blighters" and say things like "Bandits et four o'clock, blue leader". Hevers gets the full 1939 sixth form dream kit of Spitfire, MG, Land Girl *and* blonde film star, but is then terribly burned when the wily Hun comes at him out of the sun. Unless there is e lot more flashback, we seem to be past the heroics now, and the drama proper can start. With luck this may mean abandoning some of the muslin and Vaseline and sepia filters through which just about everything seems to have been shot so far.

Behind the muslin: Joanna Lumley and Nigel Havers in 'A Perfect Hero'

★

One drama series that does look as though it might have been made by committee is *Chalkface* on BBC2, which feels like a *cross* between *Grange Hill* and *Panorama*. The title is presumably intended to make us think of "coalface" and thus imply a similarity between teachers and miners, but unless you believe that they are all working in the dark there is no very clear connection. The real objection to *Chalkface* is that it is yet another of those productions which seem concerned more with messages than drama. The people are ciphers so none of the narrative proceeds from character, but is all imposed from outside.

★

BBC1 describes its new six-part series *All Good Things* as a "comedy drame", the differences between that and e sitcom being, apparently, that the comedy drama has no laughter track and runs twice as long as a 25-minute sitcom. Having spent the first 25 minntes assuming that the person in the lead was Gwen Taylor (currently starring in another, rather attractive, BBC1 drama, *The Sharp End*, about a tinpot debt collection agency with James Cosmo playing a dyslexic ex-bouncer) I spent the next 25 trying to decide whether Brenda Blethyn, who actually plays the part, is Gwen Taylor's twin sister. So I am not certain of the assumptions which inform *All Good Things* but they appear to be, first, that if women go to work and don't *have* babies they are dissatisfied; secondly that if women stay at home and have babies they are dissatisfied; and thirdly that if women have babies and also go to work they are dissatisfied. This could be a rich vein.

★

For a brief period in the early 1970s the British seemed to be teaching the Americans how to make sitcoms. Format deals were done on *Till Death Us Do Part*, *Steptoe And Son* and *Man About The House* which became *All In The Family*, *Sanford And Son* and *Three's Company*. All did well in the American ratings. But that was a flash in the pan: previously the Americans had shown the way with *I Love Lucy* and *Bilko* (goodness knows what happened to BBC2's promise to show the entire *Bilko* oeuvre, it seems to have been abandoned without a word) and subsequently, however splendid the 12 episodes of *Fawlty Towers*, they have hardly stacked up against the combination of *M.A.S.H.*, *Soap*, *Cheers*, *The Golden Girls* and others. The Americans are still at it. While the British plod earnestly on cranking out dutiful feminist tracts about married couples, unmarried couples, soon-to-be married couples, couples with teenage children, couples with unexpected babies, usually emphasising the saintliness of women and the uselessness of men, the Americans have moved into the post feminist age with *Married... With Children*. Showing late on Fridays in various ITV regions, this is e comedy in which the husband and his pal realise that ogling the backside of the woman who has come to mend the fridge is *unfeminist*, but do so anyway. In a British sitcom the very idee of a woman mending a fridge would involve a right-on political statement. In this series the priggish visiting wife ends up stuffing dollar bills down the waistband of a male stripper, a scene which is virtually inconceivable in a British sitcom.

★

Writing down vast sums of money on slips of paper, putting them in envelopes, and taking them to the ITC, has not changed the outlook for Britain's commercial television industry. It looked grim when Mrs Thatcher and her minions first came up with the idea of an auction, not as a way of improving programmes (the *question of programme* quality does not seem to have entered their heads) but simply as e way of forcing television to bend to Thatcherism, and simultaneously whamming up the money for the Treasury. It still looks grim now. Last week's little drama, with all those limousines taking the envelopes to Knightsbridge (wouldn't a messenger on e push-bike have been a good PR gesture?) may yet prove largely irrelevant. It was a parochial effair, limited almost exclusively to existing franchise holders and those already deeply involved in the industry. A nnmber of outsiders commented that it looked rigged to keep the licences within a small charmed circle. But if you were Silvio Berlusconi or Senor Big from Somewhere Else would you bother to go through this bizarre business of sealed bids, knowing you were almost certain to offer either too little, and miss, or more than you needed to? Would you not simply let some other bunch of clowns go through all that, then sit out the 12 month waiting period ordered by the Tories before takeover bids are allowed, and pick off your target on the stock market one quiet morning? No doubt when the winners are announced by the ITC in October there will be even more hysteria than there was last week, but what really matters to those of us interested in the programmes coming into our homes is who the owners are going to be in 1993.

★

Whether *The FA Cup Final taught us anything new ebout* Tottenham Hotspurs, Nottingham Forest, the dour Cloughie, mad Gazza (what was he on, hunnies?) or television's amezing commentators ("Now that's the kind of driving header you either hold onto or they fly past you into the net!" er, yes, John, that seems to stand to reason) we surely learned one thing about football shorts on Saturday. If, like the person who designed the Spurs outfit, you include a white triangle at the lower outside edge of each leg, all your players will look – to the television eudience, anyway – as though they are running around with very long underpants showing.

**Christopher Dunkley**

# Sailor, Beware!

**LYRIC HAMMERSMITH**

It takes real nerve to revive e 1950s farce like this, and here the courage of the Lyric Hammersmith is rewarded. *Sailor, Beware!* – which originally ran for three years and made Peggy Mount's name – keeps packing one cliché tight on top of the last with such comic skill that one's breath is taken away – in innocent laughter.

*Everything* in Philip King and Falkland Cary's play is half too familiar for words, and half unlike any play that anyone ever stages in London these days.

The battle-axe mother-in-law-to-be, dragoneering over all and sundry; her henpecked husband, concentrating on his ferrets; their starchly conventional daughter; her Cockney sailor fiance; the twittery maiden aunt, haunted by her Great Sorrow . . . all stock types, of course. It's possible today to be so socially conscious as to draw back in horror from so stereotyped e depiction of working-class Northerners.

The first-night eudience took time to thaw its way out of enlightened middle-class guilt into relaxed guffews. But most of these types go back as far as Plautus and Terence. Nothing is about the plot is unusual, either. (Tomorrow's the wedding. Who's going to sleep where? Can the groom bear to marry into a family with such a gorgon of a mother?) The disarming skill of *Sailor, Beware!* is not that it is original, but that it is fresh.

The director Peter James brings it off by setting it meticulously as a period piece. 'Fifties ads are reproduced on the drop-curtain; and the Hornetts' living room is a marvel of pre-'Sixties detail, right down to the lace curtains in the front window and the sofa-bed.

As Mrs Hornett, the all-domineering ruler of this living room, Jane Freeman has the lungpower, the mighty figure and the sheer who's-stopping-me will. The fect that Peggy Mount probably excelled her in each of these departments detracts not a jot from my pleasure; but I'd guess Mount was more volcanically sincere in the big wailing scene of reformation.

Likewise John Cater – just a tad predictable when drunk and when tying up the young couple – has all the browbeaten, covert humanity for her husband. The play starts briefly to creak as these two characters draw it to its conclusion, but it's to their great credit that they snap it right back into laughter.

Sheila Steafel is Edie Hornett, her eyes, mouth, knees and feet all twitching into nervous paroxysm whenever a hint of her Great Sorrow approaches. Colin Hurley is the bridegroom-to-be-or-not-be, Paul Venables is his Scots pal, Maggie McCarthy is the neighbour Mrs Lack, Richard Howard is the vicar. All of them are cherishable.

Best of all ere Trevyn McDowell as the bride's cousin Daphne Pink, the coy and eager Marilyn Monroe of these English provinces, and Catherine Russell as the bride herself. Russell no sooner enters than her whole character is there before you. She is her mother's daughter and her aunt's niece too – genteel, strict, prissy, nervous, and doe-eyed.

**Alastair Macaulay**

# Haitink's Mahler

**ROYAL FESTIVAL HALL**

It is the privilege of really strong, deep musical minds to be constantly fresh, illuminating and, above all, surprising in their music-making. Bernard Haitink, who on Monday led the London Philharmonic in a simply hair-raising Mahler *Seventh Symphony, has one of* those minds. Not having heard him conduct this particular work for many years, I guessed in advance that he would now lavish on it those performance traits – broad tempos, loving refinement of sonorities (whether loud or soft, full-orchestral or single-strand), steady-swelling development of movements – which are the especial boon of interpretative maturity.

Not e bit of it. He and the LPO gave us an unimaginably abrasive account of this mysterious and wonderful work, urgently dramatic. It was startling in its fiercely varied textures and timbres, jagged in its tempo contrasts – the conductor seemed to be continually peering *over* the late-19th century edge into the modernist ebyss (in the spectral central Scherzo, with its gasps of short phrases and stutters of single notes, the worlds of both Webern and Varèse seemed only a step away).

It was not e Mahler Seven to *show the LPO at its most magisterial* in corporate virtuosity – though the players' commitment to the conductor's harsh and fiery visions was admirably unstinted. At the start, the diverse instrumental groupings and dotted-rhythm patterns sounded insecure and untidy; throughout the performance there was a distinct shortage of true *p* and *pp* phrasing; and often, the conductor's driving energy seemed to press woodwind and brass tone into sourness. In a strange way, the passing insecurities came to metter relatively little – indeed, they may even have contributed to the listener's edge-of-the-seat excitements.

The reason for this must surely be that Haitink's overall command of the work was so completely seized with its own craggy authority. In approaching this night-into-day symphony, the usual conductor's course is to depict the three inner movements as a chain of quietly eloquent nocturnal thoughts and feelings, and *then to come to land* (with something with a bump) in the brash daylight of the finale.

Here, all was different: the first four movements shared the common aspect of nightmare – with a nightmare's ferocious anxieties and also its unassailable logic – while the fifth was a frenzied major-key awakening, brazen but also pierced with *its own dramatic* ambiguities. The sum total was the most cogent, most completely *original* reading of this still-underrated work that I have heard. It would be nice to think that it could be repeated, with no less intensity in the playing and perhaps fewer stray ends.

**Max Loppert**

## INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

### AMSTERDAM

**Concertgebouw** 20.15 Ken-Ichiro Kobayashi conducts Japan Philharmonic Symphony Orchestra in Mahler's Fifth Symphony, also tomorrow. Sat: Viktoria Mullova pleys Shostakovich's First Violin Concerto with Royal Flanders Philharmonic Orchestra conducted by Lawrence Foster (6718 345)
**Muziektheater** 20.00 Hartmut Haenchen conducts Herbert Wernicke's production of Duke Bluebeard's Castle, with Henk Smit as *Bluebeard and Katherine* Ciesinski as Judith (6255 455)

### BARCELONA

**Gran Teatre del Liceu** 21.00 Tosca with Elizabeth Holleque in title role and Sherrill Milnes as Scarpia, also Sun (412 1466)

### BERLIN

**Staatsoper unter den Linden** 19.30 John Cranko's ballet The Taming of the Shrew. Tomorrow: La traviata. Fri: Pelleas et Melisande (2004 762)
**Komische Oper** 19.30 Harry Kupfer's production of The Bartered Bride. Tomorrow: Giustino. Fri: Cav and Pag. Sat: Entfuhrung. Sun: Zauberflote (2292 555)
**Deutsche Oper** 19.30 Galina Kalinina sings title role in Aida, with Nina Terentieve as Amnerie *and Ingvar Wixell as Amonasro.* Tomorrow: Manon Lescaut. Sat: Trovatore. Sun: Tristan und Isolde (3410 249)
**Philharmonie Kammermusiksaal** 20.00 Zoltan Pesko conducts Berlin *Philharmonic Orchestra in world* premiere of Gyorgy Kurtag's Grabstein fur Stephan, plus Schnittke's Dialogue for cello and seven instruments and Franco Donatoni's Teme. Tomorrow, Fri, Sat and Sun: Giulini conducts Mozart (2614 383)

### BONN

**Oper** 20.00 *Dennis Russell Davies* conducts last performance this season of Falstaff, with Juan Pons in title role, Haken Hagegard as Ford and Barbara Bonney as *Nanetta*. Tomorrow and Sun: Pelleas et Melisande. Sat: Vaclav Neumann conducts The Bartered Bride (773667)

### COLOGNE

**Philharmonie** 20.00 Jan Corazolla conducts Rhine Chamber Orchestra in Mendelssohn's Italian Symphony, plus music by Schumann and Jannis Vlachopoulos. Tomorrow: Sandor Vegh conducts Viennese classics (2801)
**Opernhaus** 20.00 Don Juan's Last Adventure, piano-accompanied operatic entertainment. Fri: recital by Felicity Lott. Sat: L'elisir d'amore. Sun: Simon Boccanegra (221 8400)
**Schauspielhaus** 19.30 Tanz-Forum presents Count Dracula, ballet choreographed by Jochen Ulrich. Fri: American Scenes, an evening of dance (221 8400)

### LONDON

**MUSIC**
**Covent Garden** 19.00 Marie Ewing sings title role in Nuria Espert's *production of Carmen*. Tomorrow: David Bintley's new ballet Cyrano. Fri: Hildegard Behrens sings Tosca. Sat Kathleen Kuhlmann sings Carmen (240 1066)
**Coliseum** 19.30 David Atherton conducts Tim Albery's new production of Peter Grimes, with Philip Langridge in title role, also Sat. Tomorrow: The Cunning Little Vixen. Fri: Stephen Oliver's new *opera Timon of Athens* (836 3161)
**Queen Elizabeth Hall** 19.45 Dietrich Fischer-Dieskau accompanied by Hartmut Holl sings Schubert Lieder. Tomorrow: English Beroque Orchestra and Chorus in Mozart programme (928 8800)
**Sadler's Wells** 19.30 Opera 80's two-week London season includes Die Zauberflote and Don Pasquale, sung in English (278 8916)
**Barbican** 20.00 A Night in Seville: flamenco dance musical by Mariano Torres Spanish Dance Company, also tomorrow and Sat. Fri: Chailly conducts the *Concertgebouw* (638 8891)
**THEATRE**
Edward Fox and Tim Brooke-Taylor head the cast in Christopher Hampton's comedy The Philanthropist, at Wyndham's Theatre. Diana Rigg plays Cleopatra in John Dryden's All For Love et the Almeida. Judi Dench and Niamh Cusack star in a revival of Sean O'Casey's satirical comedy The Plough end The Stars at the Young Vic. At the Playhouse, there is a final chance to see the Peter Hall Company's production of Shakespeare's comedy Twelfth Night before it closes on June 1. For information about other shows, ring Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 *Comedies* 0836 430961 Thrillers 0836 430962

### NEW YORK

**DANCE**
**Metropolitan Opera** 20.00 American Ballet Theatre production of La Bayadere, also tomorrow. Fri and Sat: triple bill including Kenneth MacMillan's Concerto (362 6000)
***New York State Theater*** 20.00 NY City Ballet triple bill with works by Balanchine and Robbins/Tharp. Season runs till June 30, with daily performances except Mon (870 5570)
**THEATRE**
Neil Simon's Pulitzer Prize-winning play Lost In Yonkers focuses on a German-Jewish termagant-grandmother (Irene Worth), who rules her house with an iron fist and also runs e candy store. Gene Saks' long-running production at Richard Rodgers Theater has been widely *acclaimed. I Hate Hamlet* is Paul Rudnick's comedy about a young television star who is cast in the title role of a Shakespeare production (Walter Kerr Theater). A Room of One's Own, at Lamb's Theater (off Broadway), stars Eileen Atkins as Virginia Woolf, in a faithful adaptation by Patrick Garland of Woolf's book calling on women to declare their freedom to control their own destinies. Ticketron (246 0102) answers inquiries and sells tickets

### PARIS

**Opera Bastille** 20.30 Merek Janowski conducts Orchestre Philharmonique de Radio France in Brahms' Fourth Symphony and Shostakovich's First Violin Concerto, with Viktoria Mullova. Fri: Myung-Whun Chung conducts Gotz Friedrich's new production of Samson et Dalila, runs till June 15 (4001 1616)
**Théâtre des Champs-Elysees** 20.30 Mark Morris Dance Group, also Thurs, Fri and Sat (4720 3637)
**Salle Pleyel** 20.30 Jean-Claude Bernede conducts Lamoureux *Orchestra in piano concertos* by Mozart and Beethoven, with Monna Lisa Getzel and Sonia Muniz, plus Villa-Lobos' Guitar Concerto, soloist Giovanni Seneca. Tomorrow, Fri and Sat: Radu Lupu plays Mozart's Piano Concerto No 20 with the Orchestra de Paris (4561 0630)
**Théâtre de la Ville** 18.30 Gustav Leonhardt plays Bach. Also at 20.30: *Shijima* (1988) choreographed by Ushio Amegatsu, runs till Sat (4274 2277)

### PRAGUE

**Smetana Hall** 20.00 Jiri Belohlevek conducts Czech Philharmonic Orchestra in Bartok's Concerto for Orchestra, with Bella Davidovich soloist in Chopin's Second Piano Concerto. Tomorrow: Slovak Chamber Orchestra plays Mozart programme. Fri: Petr Altrichter conducts Dvorak's Requiem
**Prague Castle** 20.00 Two seperate events: a Lieder recital by Barbara Hendricks and e concert of early English music by The Consorte of Musicke directed by Anthony Rooley
**Smetana Theatre** 19.00 Cosi fan tutte. Sat: Entfuhrung. Sun: Don Giovanni

### STOCKHOLM

**Royal Opera** 19.30 Frederick Ashton's production of Cinderella staged by Michael Somes, music by Prokofiev. Tomorrow: Carmen. Fri and Sat: operetta concert (248240)

### VIENNA

**Theater an der Wien** 19.00 Last performance of Jonathan Miller's Vienna Festival production of Le nozze di Figaro, with a cast led by Ruggero Raimondi, Cheryl Studer and Marie McLaughlin (586 1676)
**Staatsoper** 19.00 Arnold Oestman conducts Ponnalle production of Lucio Silla, with cast led by Edita Gruberova, Ann Murray, Eva Lind and Thomas Moser, also Fri and Sun. Tomorrow: Entfuhrung (51444 2960)
**Konzerthaus** 19.30 Herbert Boch conducts Julius Bittner's Great Mass. Tomorrow and Fri: Arditti Quartet plays new music programma (7124 6860)
**Messepalast** 20.00 Peter Brook's French-language production of The Tempest, runs till Sun (523 4915)

## European Cable and Satellite Business TV

(all times CET)

**MONDAY TO FRIDAY**
*Eurosport*
0600-0630 International Business report
*CNN*
0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories
2300-2330 World Business Today
0100-0130 Moneyline
*Superchannel*
0700-0830 Financial Times Business Report
A five minute business briefing broadcast three times between 0700 and 0800
2220 - 2250 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
0830 & 2030 (Thurs) Financial Times Business Weekly
*Sky News*
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

**SATURDAY**
*CNN*
0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
*1900-1930 World Business This* Week
2110-2140 Your Money

**SUNDAY**
*Superchannel*
1800-1830 FT Business Weekly
1930-2000 FT Business Weekly
2330-0030 FT Business Weekly
*Sky News*
1030-1100 FT Business Weekly
*CNN*
0710-0740 Moneyweek
1540-1610 Your Money
1900-1940 Moneyweek
0040-0110 Inside Business

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Wednesday May 22 1991

# Labour and the NHS

THE NATIONAL health service has long been Labour's trump card. Even in Labour'a darkest days of 1983 the electorate believed that it was the party best ahle to run the NHS. Now the government is reeling under the public outcry created by long overdue reforms of the health service, unwisely launched in the last year of a parliament. What would Labour do to fulfil its promise of "a fresh start for health" against a hackdrop of rising demand for health care?

The first point to note is that Labour would not undo much of the government's reform package – despite its commitment to "abolish the market in health care". The distinction between purchaser and provider would survive: Labour proposes strategic boards at district level to determine priorities and tsrgets, with an operational board to deliver services. Contracts for services would hecome performance agreements, drawing on a wide range of performance indicators. And "flexed hudgets" would direct funds towards the most efficient hospitals. This degree of acceptance of market disciplines is walcome.

Labour'a grester emphasis on health promotion and prevention is also to be welcomed. While some popular forms of prevention such as mass screening are expensive and often of unproven efficacy, life chances in Britain could he considerably improved through better diet and more exercise – not unduly costly to encourage. So sensihle is this approach that Mr Major is thought to he interested in poaching it (as witb some other Labour initiatives).

## Worrying antipathy

Such cosy hipartisanship runs out, however, when it comes to hospital trusts. Labour's promise to take them back within the management of the health authority will be popular among voters who question the government's motives on the NHS, but it is hard to see how trusts obscure Bevan's vision of a comprehensive and universal health service, free at the point of use. Labour's desire to "re-nationalise" the trusts, which reveals a worrying antipathy towards voluntary and private sector provision of services, may reflect pressure from the healtb service unions whose manual worker members are most at risk from tighter management in trust hospitals.

Labour would also abolish GP fund-holding, or at the very least render it nugatory hy restoring freedom to GPa to refer patients to the hospitals of their choice. Certainly fund-holding by some GPs only will prohably heighten inequality – those GPs are unlikely to agree to the extra work unless it brings them advantages in hetter service. But GP fund-bolding does offer patients guarantees on service delivery, which freedom of referral does not.

## Redress procedure

And the ahsence of such guarantees weakens Labour's package. There are a raft of charters and programmes to create a "patient-friendly NHS", hut no real empowerment for the consumer. The dissatisfied patient will ohtain redress only through a complaint to tbe omhudsman or through the community health councils (which Labour plans to strengthen).

Any sustained improvement in the quality of the NHS raises the question of funding. While there is scope for greater efficiency, policymakera face the challenge of an inexorable increase in demand for bealth care services created hy an ageing population and new developments in drugs and technology. One option is to rednce the comprehensiveness of the service – to define a "core curriculum" of what is available free under the NHS. An alternative is to fund health care through a special NHS tax, so that taxpayers can hetter judge the cost of improved service. A third is to encourage greater private provision by those who can afford it, as is already the case with prescribed drugs and eye tests.

If Labour promises "tha best treatment, not the cheapest", how will it pay for this at a time of rising demand for health care? So far the party has little to say beyond a commitment to restore the "neglect of the last decade" (no figure is given) in the lifetime of a parliament. If a Lahour government is to renew the NHS as it promises, convincing answers will be needed to this question.

# The Italian debt threat

ITALY'S economic performance in recent years has been remarkable. But this record has been hullt on increasingly unstahle foundations. The huge rise in outstanding puhlic deht over the past six years is storing up trouble both for Italy and for the rest of Europe. Germany is right to insist that countries like Italy's must pnt their fiscal house in order before they can form part of a European monetary union.

Italy does not appear to have a sick economy. On the contrary it has now enjoyed an unprecedented period of rapid economic growth. Inflation has fallen to within four percentage points of tbe German rate; and the current account deficit remains below 1¼ per cent of gross domestic prodnct.

Yet handed a golden opportunity to put right its public finances, the Italian government has allowed tbe debt burden to grow – from the equivalent of 58 per cent of GDP in 1981 to just over 100 per cent in 1990. While the primary budget deficit, excluding interest payments, has been reduced, these interest payments have grown to 9 per cent of GDP.

Borrowing to finance borrowing cannot continue at this rste indefinitely. The current pattern of tax and spending is not consistent with a stable debt/GDP ratio. Because the real interest rate exceeds the economy's growth rate, the interest burden will keep on rising, even if the primary deficit falls to zero this year.

## Unsustainable position

In short, Italy's fiscal position is unsustainahle. A primary budget surplus of at least 2 per cent is needed just to stahilise the deht/GDP ratio. There is a widespread consenaus in Italy about the need for such fiscal consolidation. Yet its latest government is unlikely to deliver. Last week's budget package of tax increases and spending cuts was a small step in the right direction. But promised spending cuts may not materialise while the government's economic forecast already look over-optimistic.

The Italian government has firmly committed not to finance its debt interest payments hy printing money. But as the hurden of these interest payments rises, this commitment will inevitably look less secure.

As a result the Italian government is forced to pay a higher price on its debt. Italy will continue to suffer volatile interest rates until the primary bndget moves into surplus, especially now that capital controls now been removed.

## Fiscal consolidation

The prospect of a single European currency does not remove the need for this fiscal consolidation. For Emu would change the nature, hut not the fact, of Italy's debt problem. Within Emn the Italian government would no longer have the option of inflation and devaluation as a way of dealing with its debt prohlem.

Even under Emu, investors could lose confidence in the value of Italian government securities. With Italian debt accounting for almost a third of total outstanding EC puhlic debt, the possibility that the European central bank would have to bail-out bond-holders would create a significant inflationary risk. This could force up long-term interest rates in the future European currency, however much the central bank was notionally prevented from acting as a lender of last resort.

In its own interest, Italy needs to grapple with its fiscal prohlem as soon as possible. Its public finances have looked shaky for years, which has not prevented the country from putting in a strong economic performance. But its ability to survive so long has allowed it to get into an ever more difficult situation. Unless the laws of economics have been rescinded, the prohlem will become unmanageable in the end.

The prospect of Emn gives the Italian government an excellent excuse to put its debt under control. Its prospective partners, above all Germany, must insist on nothing less. The threat of being relegated to Europe's second division, and the consequent blow to its economic interests and political prestige, might just prove enough to galvanise an ossified political system into action.

## David Fishlock examines new evidence on the Chernobyl disaster

# Hot spot of contention

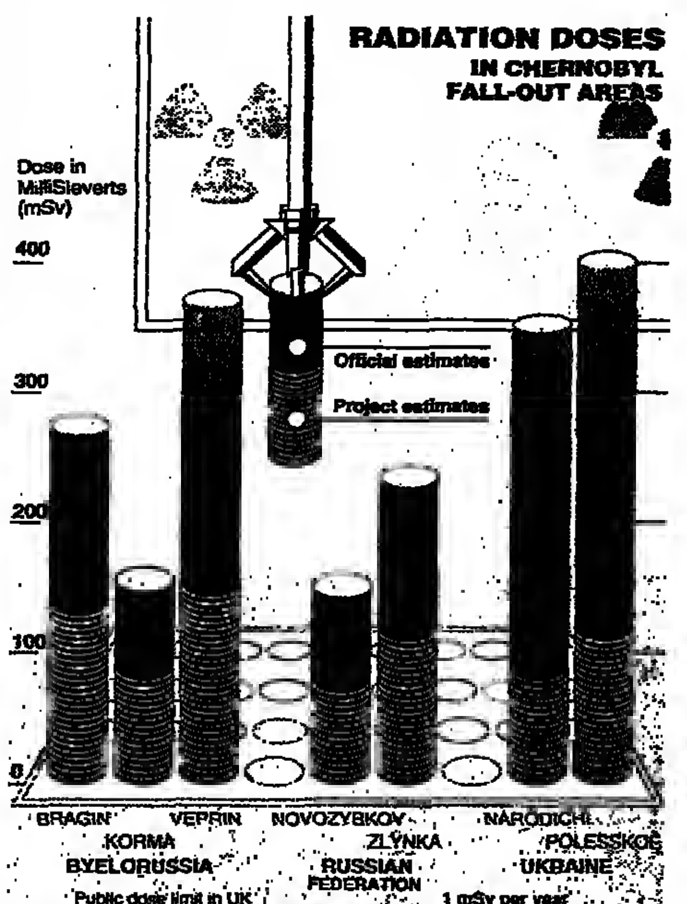
In the five years since the nuclear reactor at Chernohyl exploded, the Soviet government has heen notoriously reluctant to part with information on the disaster's medical and social consequences.

This week, a small shaft of light is shining through the fog of uncertainty surrounding the accident, as an international group of doctors and scientists presents its findings from a year-long investigation. The picture it paints is far from conclusive. But it is a good deal less alarmist than many in the west had feared.

Nearly 1m Soviet citizens found themselves in the path of the radioactiva clond released when the reactor exploded on April 26 1986. Those in the vicinity – about 189,000 people – were evacuated quite promptly from an "exclusion zone" soma 60km across. Whether others were contaminated depended on where the rain fell.

As the Soviets explored three radiation-affected republics – the Ukraine, Byelorussia and the Russian federation – they discovered "hot spots" of radiation and evacuated many thousands more. Soviet officials say another 300,000 may have fled their bomes.

Evacuation around Chernobyl was completed within six days of the accident, hut the reactor continued to release radioactive materials for another four days. By July, the government had compiled its first map of the fall-out, hut kept it secret for nearly three years. By November, it had finished constructing a sarcophagus to shroud the reactor. In September 1988 the Soviet Council of Ministers adopted a limit of 350 milliSieverts lifetime radiation dose (see chart), above which level of contamination people were to be evacuated.




By 1989, three years after the accident, Moscow realised that it was losing the battle for the hearts and minds of people living in the path of the cloud. Anecdotal evidence ahounded that the radiation was affecting public health. Visitors to the region met doctors who reported babies born with birth defects, or who suffered leukaemia, blood diseases and other illnesses widely associated with radiation injury. Local politicians campaigned for the remaining three reactors at Chernohyl to be shut.

Late in 1989 Moscow asked for international help in assessing the medical consequences of the accident, and the efficacy of its protective measures. Doctors and scientists from 25 nations and seven UN agencies, including the World Health Organisation, mounted the International Chernohyl Project. Chairman of its steering committee was Dr Itsuzo Shigematsu, director of the Radiation Effects Research Foundation in Hiroshima.

Some 200 experts spent a year investigating the radioactive contamination, population exposure, health impact and protective measures applied to an estimated population of 850,000 beyond the Chernohyl exclusion zone.

Meanwhile, Soviet experts continued their own investigations. In Paris last month, at a meeting organised jointly hy the Soviet and French nuclear societies, the Soviets presented their findings. Prof Leonyd Ilyin, director of the Institute of Biophysics in Moscow and an authority on radiological protection, reported there was no increase in registered numbers of cancer cases (one Russian in five dies of cancer normally), and no increase in cases of leukaemia and other blood diseases.

Dr Ilyin admitted there had been an increase in recorded hirth defects – but in control areas where he said there had been no measured fall-out as well as in demonstrably contaminated areas.

But last month the Soviet statistics were overshadowed by reports of Soviet citizens and children who said they were suffering from radiation poisoning, and who in some cases were flown to the west for treatment.

One highly-puhlicised douhter of the official version of events was Dr Vladimir Chernousenko, who tried to monitor its progress for the Ukrainian Academy of Sciences. He complains he was consistently barred from the exclusion zone, and has claimed that the number of deaths – still officially listed as 31 – could run into the thousands.

Professor Robert Gale, the US doctor who had treated tha firemen fatally exposed to Chernobyl's radiation, took an opposite view. He said allegations that Moscow was concealing hundreds or thousands of deaths "are simply wrong".

This week in Vienna, the nations and agencies which participated in the International Chernohyl Project have a chance to examine the evidence, and to weigh what still needs to be done.

The remit of the study is circumscribed. But its findings so far hroadly confirm the Soviet figures, while presenting a pretty bleak picture of the health of Soviet citizens in general. They also suggest there is widespead worry about radiation throughout the three repuhlics studied, and worry about the consequences of a stringent policy of evacuation whenever fresh radiation hot spots are found that exceed the limit of 350 mSv.

The project's report says: "The vast majority of adults examined in both the surveyed contaminated settlements and the surveyed control settlements visited either believed or suspected they had an illness due to radiation."

The project finds:

- No health disorders that can be directly attributed to radiation exposure, and no indications of any increase in the incidence of leukaemias and cancers;
- Significant health problems that are not related to radiation and appeared in the seven control areas studied, as well as the 28 areas contaminated with radiation;
- Substantial worry and stress.

On the measures adopted by Soviet authorities, the project makes three points:

- Early actions taken, in those cases the project could assess, were found broadly reasonahle and consistent with international guidelines;
- Official protective measures adopted generally exceeded what the international experts judged to be necessary;
- Official methods of estimating radiation dose were sound, and the methods used would not under-estimate the dose;
- The experts' own measurements of fall-out corresponded with those recorded on maps provided by Soviet authorities.

The project was conducted under what Dr Shigematsu admits were "unavoidable constraints on time, manpower and funds". This week's scientific appraisal under the auspices of the UN's International Atomic Energy Agency will be no whitewash, and will surely highlight areas where further investigations are required.

A worry not addressed hy the International Chernobyl Project is the 20-storey concrete sarcophagus that shrouds the Chernobyl reactor, erected to stop further radioactive emissions. Soviet engineers say it will last only a few more years, perhaps seven to 10, but not the 20-30 years they originally claimed. There is widespread suspicion that it leaks.

The sarcophagus shrouds an estimated 180 tonnes of radioactive nuclear fuel, including 400kg of plutonium. Dr A A Borovoy, chairman of the Chernobyl Nuclear Institute of the Ministry of Atomic Power and Industry, says the explosion destroyed all the reactor's safety barriers.

Soviet engineers have been investigating three big worries, Dr Borovoy says:

- If the reactor debris caved in – if the lid slipped, for example – could it canse a "criticality" and more dangerous nuclear emissions?
- Could radiation leak from the gaps left in the concrete walls to release heat, and from cracks opened as the structure has settled (they add np to 1,000-1,500 square metres)?
- Could there still be a meltdown by the remaining fuel, leading it to leak through the foundations?

In Dr Borovoy's view, the main option is to construct a second sarcophagus around the existing one, in order to seal it, while leaving open the possibility of removing all the radioactive debris some time in the future. This implies a huge research and development programme preceding a new engineering design.

Dr Borovoy hopes the international nuclear community might join in another co-operative programme, to find a final solution. For the international nnclear community, it could be just the opportunity it needs to enter into a long-term participation, with the reassurance this could bring on both sides of the Soviet border.

## PERSONAL VIEW

# Market with a human face

### By David Willetts

Tha social market is rapidly becoming a coded political phrase. But what is it code for? It was brought into the British political debate by Keith Joseph in the mid-1970s when he was helping to define what we now call Thatcherism. David Owen, as leader of the Social Democratic party, flirted with it in the 1980s, and it has now been given a new lease of life by Chris Patten, the Conservative party chairman. That such a diverse range of politicians should advocate it suggests that it can bear a variety of interpretations.

The term is a direct translation of the German expression which has become a fundamental part of Germany's post-war political culture. Because it is so important that they should all support it, even the rigorous Germans have given it a range of meanings.

Some free marketeers in Britain are suspicious of the concept because it implies that the market is not social anyway. The market is, in fact, a sophisticated social institution which co-ordinates and reconciles a host of personal projects. It is not a pill that needs to be sugared with some extra social element; it is a source of social harmony and personal fulfilment. The social market is thus a tautology, unlike the very different idea of market socialism, which is a contradiction.

On such a view, ensuring the market can operate freely constitutes an enlightened social policy. This was the origin of the concept in Germany. The free marketeers of the Freiburg School of economists opposed the cartels, cross-holding of shares, and concentrations of banking power which culminated in Hitler's corporatist control of industry. That control was used by the Nazis to direct industry for their military purposes.

The economic liberals argued that Germany needed a powerful anti-cartel policy – the equivalent of American trust busting. This wonld ensure the market fulfilled its social objective of serving consumers. Such a policy was particularly welcome to the allies who wanted to break up the industries associated with the German war effort.

The first of the Düsseldorf Principles set out by the Christian Democrats in 1949 was "competition guaranteed by control of monopoly". They wanted to encourage small and medium-size businesses. Their break up of the old cartels was crucial to the rapid growth of the German economy during the 1950s.

On this interpretation of the social market its leading practitioners in British politics today are Peter Lilley, the trade and industry secretary, and John Redwood, the corporate and consumer affairs minister. Their recent proposals to open the BT/Mercury telecommunications duopoly are a remarkably bold liberalisation of an over-protected industry.

Many people in Germany and Britain now give a rather different meaning to the social market – a capitalist economy with a welfare state. It is now a commonplace that some sort of welfare state and a successful market economy go together. It used not to be so. One of the first Centre for Policy Studies publications – Why Britain Needs a Social Market Economy – argued that only a successful free-enterprise economy could finance a welfare state.

Equally, a properly functioning welfare state can make it easier to operate a market economy. Take a free market in housing, for example. Rents can only be de-regulated if we ensure that housing benefit will enable the poorest people to pay for their accommodation. The welfare state and the market can complement, not threaten, each other. The social market reminds us of this truth.

But there is one depressing feature of the current debate on the social market – the widespread assumption that the "social" bit must mean state action and public spending. This is the worst sort of unimaginative Fabianism. The social market derives not just from Germany's economic liberal tradition but also from Catholic Christian Democratic thought which recognises the importance of what sociologists call the "mediating structures" which stand between the individual and the state: families, neighbours, companies, clubs. Again this was encouraged by the allies who rightly saw a vigorous civil society in Germany as a bastion against state power and dictatorship.

In practice in Germany it means company-based pension provision, industry-wide or locally-based contrihntory insurance to pay for health care, a big role for local chambers of commerce in training, church charities to help the unemployed and a strong framework for family obligations. This is also the rationale behind many of the government's initiatives of the past few years. The training and enterprise councils, encouragement for people to opt out of state earnings-related pension schemes and new powers for school governors all fit into this concept of the social market. This deserves to be an important theme in the next Conservative manifesto.

*The author is director of studies at the Centre for Policy Studies.*

# OBSERVER

## Doctor in the cabinet

■ This column really should not venture into politics but it (a column is neuter, not neutral) cannot resist sharing the following original, or possibly final, solution to John Major's trouhles, which dawned the other night.

It is to make Dr David Owen the health secretary. The virtues of the plan are obvious; the good doctor is forceful and, above all, a believer in the national heath service, which lots of voters think the Conservative party is not. He knows the inside of a hospital. His inclusion in the cabinet could hardly further divide the Tory ranks. Given the regard in whicb the former prime minister holds him, be might even silence the Thatcherite wing. His autohiography is near completion. The intermediary in this marriage is also obvious. It is Stephen Wall, the new Charles Powell in Downing Street, and ona of Dr Owen's oldest friends.

The douhle beauty is that if be fails to pull this particular chestnut oot of the fire, be becomes the fall guy. But he has nothing to lose and maybe neither does the Tory party. Just remember you read it here and not in the leader columns of the Independent.

## Up in the air

■ While on the subject of politics, the known addiction of John Sununu, the White House chief of staff, to the federal frequent fliers programme continues to convulse Washington. It is said that when his staff meets, he ensures that seat backs are upright, tray tables folded and belts fastened.

A variation comes from Senator Robert Dole who, now that Congressman Morris Udall is retiring, rates as possibly the funniest man in the Congress, if prone to overkill. He notes that when Sununu comes up to Capitol Hill, he always gives him the window seat.

This is not as good as Dole's best line, back at the Republican convention in 1988, when he'd just lost out to J Danforth Quayle for the vice presidential slot on the Bush ticket. As he retells it, he rang up Dan to congratulate him, but had to wait because Quayle was shaving – for the first time.

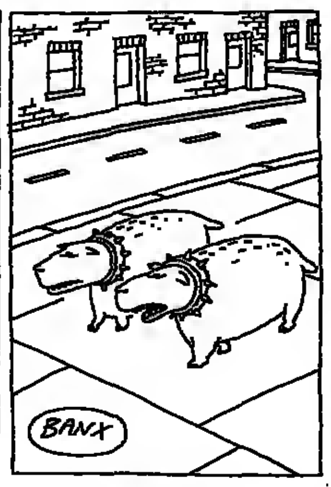
## Bergmanesque

■ But we cannot let Neil Kinnock off lightly, either. There is going to be a general election in Sweden in September and already lots of posters are up. Prominent among them on behalf of the ruling social democrats are pictures of a younger and hairier Labour leader under slogans like "even with tough economic decisions to make, he looks after the environment."

This could play well in Britain, bnt Kinnock will have to watch the company he keeps. For the Swedish social democrats are also very fond, poster-wise, of Willy Brandt (no complaint there) and Vasso Papandreou, the European commissioner. After her attempt to curb cigarette advertising, her picture presumably will not be appearing outside British tobacconists, and, given guilt by Swedish association, perhaps not Kinnock's either. If it did, there would be nowhere to put the fag ads.

## Next what?

■ And anyway the Labour leader ought to be looking a touch closer to home at quirks in his own machine. An explanation certainly seems to be required for the discrepancy between the public positions of John Smith, the shadow chancellor, and John Marek, one of Smith's juniors, on the future of the "next steps" programme, whatever that may be. It caused one Labour MP to say yesterday, of Marek, "he doesn't know what he'a talking about, I doubt he'd get the job he's shadowing if we won." Should we not be told what he is shadowing?




"What I really need is an education."

## The whole truth

■ The imminence of an election anywhere causes the mind to wander to such art forms as truth in advertising, with which the FT and the Labour Party have some passing recent acquaintance. In their most basic mode, advertising and other announcements serve an essential informational purpose. An exemplary, well, example, of this runs in part as follows.

"Wachovia Bank and Trust Co., N.A. will change its name to Wachovia Bank of North Carolina, N.A., and its holding company, The Wachovia Corporation, will become Wachovia Corporation of North Carolina. First Wachovia Corporation, the parent company, will become Wachovia Corporation. New names... include Wachovia Corporate Services Inc., Wachovia Trust Services Inc., Wachovia Mortgage Company and Wachovia Student Financial Services Inc." After several paragraphs, you sort of get tha message, which is very useful for writing cheques to any relatives you know in Wachovia.

However, it is not always like this. Several FT journalists have been sent an invitation to "Learn from a Pro" hy attending a course on Better Business Writing, which we all devoutly need. The pro concerned is James Hunt – not the racing driver – who "earned a Master's degree in English at the University of Northern Colorado" – oh, *that* James Hunt – and later pursued "advanced studies in literature while living in Stratford-upon-Avon". Mr Hunt promises to tell attendees the "one word that works like magic – every time" hut sadly, long experience with the public relations profession has already taught our journalists what that word is. No.

## Wrong number

■ The telephonic equivalent of No ("your number cannot be completed as dialled") is a singular modern blight. Thus, imaginatively extending its concern for our welfare beyond cigarettes and crisps, the European Commission would like to have a single international dialling code – possibly 00 – in use throughout Europe, replacing the 010 for the UK, the 19 for France etc etc. This would mean, inappropriately given the end of the Cold War, that a call to Moscow would begin 007.

## Ticket tout

■ Heard on a train; I'm being retired on health grounds. My boss is sick of me.

**Jurek Martin**

# A cheap package at the price

## The west should offer financial aid in return for Soviet market reforms, writes John Lloyd

This week, in a room normally occupied by the associate director of the Kennedy School of Government at Harvard University, e bright young Soviet economist named Grigory Yavlinsky is *writing a plan to integrate* the Soviet Union into the world economy.

He will have the discreet assistance of some distinguished American academics: Professor Graham Allison, the school's former dean; Professor Sam Fisher, former chief economist at the World Bank; and Professor Jeffrey Sachs, known for his work as chief economic adviser to Poland.

Nothing is certain in Soviet politics: but Mr Yavlinsky's week's work stands a real chance of forming the basis of government economic policy for the medium term.

That this should be possible is an unusually clear mark of how zany Soviet decision-making has become. The perception in many parts of the west is that Mr Mikhail Gorbachev, the Soviet president, is still in thrall to hardline Communists and to the security forces: yet at the same time, he has enthusiastically agreed to subcontract the formation of his future economic policy to Harvard, under the aegis of the radically pro-market Mr Yavlinsky. How have things come to this point – and what does it mean for the Soviet Union and the west?

Communism is dead in the Soviet Union. This does not mean that people acting in its name will not try to turn the clock back: it does mean that none of them has any idea of how to make it work, or will try too seriously. Thus Mr Gorbachev's tacking back to what is inexplicably called "the right" (the hard left) last autumn was not an ideological choice but a practical one: that side had to be placated. In early April the right demonstrated its spectacular weakness and inefficiency by not only failing to remove Mr Boris Yeltsin, the Russian leader, from his post as chairman of the Russian parliament, but in actually strengthening him. Thereafter, the great survivor knew what was to be done.

Mr Gorbachev had, in fact, never wholly ditched the *radicals*. Even as the polemics between him and Mr Yeltsin were at their most sulphurous, their network of aides and *advisers (many of whom had* served together in the Communist party central committee's apparatus) talked and compared notes. As it now appears, *the most important* member of that network is Mr Yavlinsky.

Mr Yavlinsky was, until last November, deputy prime minister of Russia. He was better known, however, as the co-author of the "500 Day programme", a plan for the rapid creation of a market economy which seemed to be about to command the allegiance of the president, but was then thrown out by the Supreme Soviet.

Mr Yavlinsky resigned, and has never looked back. He remained an unofficial aide to Mr Yeltsin. He became chief economic adviser to Mr Narsultan Nazarbayev, the president of Kazakhstan and one of the best of the republican presidents. He kept his lines open to Mr Gorbachev. And he developed a relationship with Prof Allison and his colleagues at Harvard, which drew him into a series of discussions at semi-official level in the US. These culminated in his addressing the meeting of experts from the Group of Seven industrial countries in Washington in late April.

On his return to the Soviet Union early this month, he saw both Mr Gorbachev and Mr Yeltsin, and drafted a letter from the president's office to the G7 group which made it clear that Mr Gorbachev was prepared to commit himself to market reforms and wanted financial support for them. In Moscow last week, Profs Allison and Sachs held a long talk with two of Mr Gorbachev's closest aides: one of them, Mr Yevgenny Primakov, told the professors that the president was serious in his radical intent, and that he wanted to tell the G7 meeting in July that he was. If they had doubts, the three phone calls from the president in the course of their meeting to check on its progress should have dispelled them.

*Further, this has not just* been Mr Yavlinsky's project: others have carried the message of reform-for-aid. Mr Eduard Shevardnadze, the former *foreign* minister who resigned last December warning of impending dictatorship, has lent his considerable prestige to the same approach. Mr *Gorbachev himself* has pressed the case in general terms to western leaders. But someone had to do the numbers.

Thus Mr Yavlinsky sits in Cambridge, Mass, this week with a great deal resting upon him. He must write a plan which makes sense – and which he can sell to his president when he returns. Mr Gorbachev made it clear he supports it, but that was last week and already the hawks are circling, screeching about western plots.

He must also sell it to the west: or rather, he and the professors and the others who support his *initiative must enter* into the lists and argue the case.

The case is this: that the west should offer between \$15bn and \$30bn a year to the Soviet Union over the next five years in return for economic reforms. As Prof Sachs put it in the Washington Post 10 days ago: "The key now is to put the financial package on the table – explicitly, clearly and conditionally. The Soviet people should understand what they have to gain by supporting the reforms in their country." Or, as described by Prof Allison (writing with Mr Robert Blackwill, the *former* aide to President Bush on the Soviet Union) in the forthcoming issue of Foreign Affairs, it would be "a grand bargain of Marshall Plan proportions. The *terms*: substantial financial assistance to Soviet reforms conditional upon political pluralisation and e coherent economic programme *for moving rapidly to* a market economy." The professors are using their (considerable) influence: but will they succeed?

Within ths G7 group of industrial countries, the move to offer a "grand hargain" would almost certainly attract German support (it is already fulfilling its own grand bargain – aid in return for east Germany); Italy, too, is emerging as an enthusiast for the support of Soviet reform, as (less obviously) is France. Canada is more doubtful, though not as doubtful as the UK, which is still hostile to anything of this kind. Japan failed to get e deal on the four Kurile Island when Mr Gorbachev visited Tokyo last month: but if a deal can be brokered (and it was Mr Yeltsin's opposition which was the biggest block before: he is now on Mr Gorbachev's side) the money could flow.

The US is crucial: were Mr Bush for it, the others could probably he brought along, even the stingy, sceptical British. It would not, of course, mean that a vast cheque would be handed over on January 1 every year for the next five: it would mean that the G7 would commit themselves to putting together a package of public and private aid, credits and investment which would add up to something like \$15-\$30bn.

At bottom, a judgment must be made on the state of the Soviet Union. Is it best left alone, offered words of encouragement and lots of micro-level assistance (training; joint ventures; direct investment) and cajoled into pulling itself up by its bootstraps into the advanced world? Or will it respond to e "grand bargain" which would put bright people from the International Monetary Fund and the World Bank into Moscow and givs the Soviet government not just economic, but political and civil libertarian imperatives of the kind most Soviet leaders would have spat on up to the mid-1980s?

The first approach has the merit of humility: it does not presume to tell a superpower what to do. Indeed, the second approach might well be killed by those in Moscow who argue that a superpower must *not* be told what to do, even if it is collapsing. But the second recognises two things which are probably now true. First, that marketisation cannot be achieved without very large support; and second, that the reformers in the Soviet Union need to have tangible results to show, relatively soon, if their *pitch is not* to be delayed and rendered meaningless by the hardliners.

The third considsration is this: that the Soviet Union has seen the *death of active* communism, but the dead husk still surrounds everything. A convulsive heave is required for society to throw it off. The west should make it clear that it is prepared to support this process, and to assist the huilding of civil society thereafter; it would do so at a time when the Soviet Union is more open and willing to change than at any time before. It would be an act both self interested and idealistic: it should be done.

Discreet assistance for Soviet economic integration plans: Professor Graham Allison, left, and Grigory Yavlinsky

## Jurek Martin

# Sticky case in point

*FOREIGN AFFAIRS*

It is e pretty sad commentary on the real interest of the European Community in Japan that Mr Jacques Dalors, the Commission's president, has allowed five years to elapse between visits to Tokyo.

Nor does it help that he arrives as the anti-Japanese remarks of e French countrywoman reverberate around Japan. And if the comments of Mrs Edith Cresson, the new French prime minister, were predictable, an additional Europiquancy has been provided by the shattering and truly iniquitous news that British jam costs twice as much in Tokyo as it does in London.

This last piece of information comes not from the European jam lobby but from e joint Japanese-American study on relative prices. It is part of the Structural Impediment Initiative round of bilateral negotiations, the importance and breadth of which Mr Delors should note and learn from.

Whatever may be thought about the ultimate wisdom of getting Japan to behave more like the United States, SII is a genuins exchange with real policy implications, not only for Japan. Far from dragging Japan down to American levels of productivity and savings, soms smartsr Americans believa that the SII process could end up by making the Japanese even more efficient, much as the internal financial liberalisation of the 1980s, brought on in part by US pressure, energised Japanese banks and hrokerage houses into international powers.

If it is desirable that Japan sbould play a bigger world role, and givsn the demographic factors already producing domestic economic strains, shifting resources from, say, distribution to production may be no bad thing – for the Japanese and for everybody else. After all, global burden-sharing *is going to be the leitmotif of* the next two decades and getting Japan on board as a full partner is indispensable.

The European Community *has not yet begum to think in* these terms, comfortable or uncomfortable, as it is in an overwhelmingly commercial relationship with Japan. What is often referred to as the "triangle of tension" between the US, Europe and Japan remains taut, often fraught, across the Pacific, hnt is slack to ths point of negligence when stretched from Europe to Japan.

Sadly, it does not appear that Mr Delors is going to Tokyo with a plan to get the relationship out of this straitjacket of indifference. The Japanese, perhaps airy-fairily, would like e declaration of political co-operation, but the EC seems intent on tying such a commitment to better bilateral trade relations. Only in the wider forum of the Group of Seven summit framework does it apparently see the need to talk properly to Japan.

Paradoxically, this approach simultaneously makes sense and is short-sighted. It scores on the first count because a good case can be made for strengthening the G7 as a policy-making instrument. As the other great post-war international bodies – the UN, Gatt, the Bretton Woods institutions – struggle to cope with a multiplicity of demands, not least the changes in the Soviet Union and eastern Europe, it may be that the G7, representing a political commitment at the highest levels of government, will turn out to be the most effective available forum.

**The EC and Japan are struggling for identities beyond their self-defined economic rationales**

However, European myopia may in turn work against a new effectiveness. The EC and Japan are, in their very different ways, the great success stories of the post-war years, yet both are struggling for identities beyond their self-defined economic rationales. Moreover, in their respective relationships with the US, both have much to learn from each other. *The great European fear that* somehow the US and Japan, working together, would leave Europe behind should surely be consigned to history.

*Nowhere is this more* apparent than in the area of security. It is already hlindingly obvious that the permanent physical American military presence around the world is going to be reduced. In so writing in the New York Times this week, Mr William Hyland, aditor of the establishment Foreign Affairs journal and a conspicuous transatlanticist, merely confirmed this hut his words are worth repeating.

"There is no longer a persuasive threat that requires keeping more than *500,000* ground, air and naval forces in Europe and the Far East. Why should Americans pay to defend rich European allies, or spend \$800m a year to rent naval and air bases in the Philippines?"

Mr Hyland is not recommending wholesale disengagement, hut e rehalancing of domestic and foreign priorities. He is not talking about the dissolution of Nato or the bilateral security treaty with Japan, but of a more equitable sharing of the burdens; and here there are common European and Japanese experiences.

In the opinion of David Hale, of Kemper Financial Services, in a paper submitted to a recsnt conference in Wisconsin, thsre is mncb to be learned from the old "offset" agreement between the US and Germany. He notes that a similar, hut informal, offset agreement has been in place with Japan. Under this deal, *inter alia*, Japan belped stabilise the US financial markets in 1987 and 1988 (at considerable cost to its own financial institutions) while continuing heavily to buy US aerospace, to the disadvantage of European competition. But this arrangement may no longer be adequate.

His solution is two-part: "The development of national hurden-sharing indices for measuring each country's contribution to a diverse mixture of international public goods, snch as external defence expenditures, untied foreign aid, grants to multilateral economic development institutions and world environmental protection"; and a separate US bilateral programme with Japan aimed at Asian security.

The evolution of a separate European security framework is another matter entirely. But it does not take a genius to work out that there is a common interest between Europe, *Japan and the US* over and beyond the price of jam or the sals of Japanese cars in Europe. It is time Mr Delors, and others, recognised this.

# *LETTERS*

## Why pay should reflect performance and bargaining must be co-ordinated

*From Mr John Banham.*

Sir, Your leader of May 17 ("Fiddling while the jobs go") states that "Britain'e anachronistic method of wage bargaining is requiring unemployment to rise above 3m, in order to reduce wage inflation to a sustainable level".

Unfortunately, it is not the method of wage bargaining that is the anachronism. Your leader managed to discuss pay without even mentioning the words performance and competition. In language reminiscent of the 1970s, you propose ways round the uncomfortable reality that pay must be earned. It will not do, as our replies to previous injunctions in your columns have made clear. Pay must reflect performance. That is the beginning and the end of the matter. Since the situation of employers, and individuals' performance, varies widely, any central co-ordination of private sector pay bargaining is certain to do more harm than good as the experience of the 1970s demonstrated all too clearly.

What the CBI can and does do every Autumn is to provide all its members with a detailed briefing on the economic background to up-coming wage negotiations. Those responsible know full well what room for manoeuvre they have if their unit labour costs are to remain internationally competitive. We publish the full range of UK pay settlements (not an average) and the associated productivity changes (for the manufacturing sector, at least), every quarter. The CBI's Pay Databank enabled us, six months and more ahead of the field, to detect and publicise the first signs of a changing climate. Realism began to return: to attempt to criticise us now for telling things the way they are, or were, is plain ridiculous.

But we never discuss pay in isolation from performance. It is a habit we commend to your leader writers, as well as to the government – since your proposals may well be relevant to wage bargaining in the public services sector, where competition is much less relevant and a concern for performance is (regrettably) less than apparent.

John Banham,
*CBI,*
*Centre Point,*
*103 New Oxford Street, WC1*

*From Mr James McFarlane.*

Sir, As Lord Weir says (Letters, May 21), your editorial, "Fiddling while the jobs go", was spot-on, though it *runs counter* to the *philosophy* of the 1980s. This was that every company should fix its own pay levels according to its individual circumstances, with*out regard to the common* good. In proposing that co-ordination and leadership are now necessary in pay bargaining, you run tha risk of being accused *of corporatism* by those who prefer ideology to analytical thought.

The natural vehicles for such co-ordination are the employers' organisations, formed for that purpose by our predecessors. During the last decade, these bodies seemed ont of tune with the new entreprensurial ettitudes and they became somewhat unpopular not only with the government, but also with soms of their own members. It was thought rather unmanly to consult others about wages or to adhere to common policies.

These views would have been proved correct if they had succeeded in controlling unit costs – but the evidence is to the contrary.

(It is true, of course, that co-ordinated pay bargaining in the 1970s had been just as unsuccessful: but the reason for this was the gross privilege enjoyed by the unions under the then current employment legislation. This has since been corrected.)

If we continue stubbornly to ignore the experience of other countries, where co-ordinated bargaining within a balanced legal framework gives better results than ours, then the consequences will be as you say – loss of jobs and a continually shrinking industrial hase. Companies, in their own legitimate interests, will abandon *their least profitable products*, close their least profitable factories and continue the retreat to higher ground as the floodwaters of foreign competition *swirl through the* markstplace.

James McFarlane,
*24 Broad Street,*
*Ludlow,*
*Shropshire*

## Stamping out postal delays

*From Mr Dick H Pantlin.*

Sir, Your excellent article of May 15 on Britain's postal service ("Fresh package for the post") raises ths even more important question of the delays in the international services, especially to and from other EC countries. From posting to delivery can frequently exceed a week and delays of 10 days are common.

It would be useful if international postal authorities could organise a valid survey of the time taken for mail to reach its destination from and to a selection of towns in EC countries and publish the results. Only such a *survey* could *identify* the seriousness of the problem. Then it would be for the same authorities to find a means of ascertaining how and where the *delays occur because the* sender and addressees cannot do so. One suspects that thousands of bags of mail lis unopened for long periods in sorting *offices. If the authorities* will not do so perhaps chambers of commerce might provide the necessary evidence hy a well-prepared test?

Dick H Pantlin,
*11 Avenue de Mercure,*
*1180 Brussels,*
*Belgium*

## A plea to recognise the reality of company cars

*From Mr D Partridge.*

Sir, What an interesting view of company life is presented by your recent article "Company car policy goes in for a rethink" (May 10). We see the junior employee – presumably the sales representative – covering many miles on business. The middle and senior management cover more private miles – presumably driving down to the weekend retreat – while driving hardly any business miles at all.

Sadly this picture does not *reflect the reality of life* within manufacturing industry where, in my experience, the number of business miles increases with seniority. As an operating company managing director, I struggled to reach the 18,000 business miles threshold. Now, as a divisional managing director, I find that 40,000 miles a year is more usual. No doubt the group managing director exceeds that figure.

It seems to me that the government and most commentators have become obsessed by the idea of the company car as a perk. Figures, which are never justified, are produced to prove the case. There appears to be no comprehension that, for many businesses, the company car is an essential tool.

We have the ludicrous situation where an employee who uses a company car solely for business is still assessed as gaining a benefit.

Please may we have a more balanced picture of the use of company cars. Manufacturing *industry is difficult enough* without being clobbered unnecessarily.

D Partridge,
*1 The Folly,*
*Cerne Abbas,*
*Dorchester*

**Fax service**

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

## Tagging whom?

*From Mr Martyn Thomas.*

Sir, You report that an Australian company has developed a system which can read tags on cars as they pass traffic lights ("Red light shines at car thieves", Worth Watching, May 17).

This system may have risks for the individual to set alongside the benefit of reduced car theft. Who would have access to this information? The Inland Revenue, perhaps, for verifying car mileage claims? Employers, to monitor the efficiency of their sales staff? Journalists, to see where Lord Hanson went today?

Computers provide powerful means of searching large amounts of data, and these sorts of enquiry are easily carried out. Before a system as described is introduced widely, we should consider the potential for abuse and design adequate safeguards.

Martyn Thomas,
*Praxis,*
*20 Manvers Street,*
*Bath*

FINANCIAL TIMES
Wednesday May 22 1991



YUGOSLAVIA

# US outlines conditions for easing aid

**By Judy Dempsey** in London and **Laura Silber** in Belgrade

THE US will soften the impact of suspending financial assistance to Yngoslavia if Mr Stipe Mesić, a Croat, is chosen as the country's next federal president, a senior US official said yesterday.

Congress passed legislation last year making aid contingent on Yugoslavia respecting human rights.

Mr Warren Zimmermann, US ambassador to Yugoslavia, told Mr Dagman Suster, head of the Yugoslav Chamber of Commerce, yesterday thet "softening the consequences of the Nickles amendment [on aid] depends partially" on whether Mr Mesić is allowed to become president. He did not say what other conditions were required for aid to proceed.

The communist republic of Serbia, and its supporters, the communist republic of Montenegro, and the Serbian provinces of Vojvodina and Kosovo, blocked Mr Mesić's appointment last Wednesday, leaving Yugoslavia without a head of state – or head of the armed forces.

Those opposing Mr Mesić fear that he would speed up the disintegration of the Yugoslav federation which Serbia wants to preserve.

The Nickles amendment, passed last November by Congress, gave Yugoslavia until May 6 to end repressions of ethnic Albanians by the republic of Serbia in Kosovo or lose its $5m in aid. Because the US administration failed to certify Yngoslavia's human rights practices the amendment automatically went into effect.

A spokeswoman for the State Department confirmed earlier this week that "the Nickles amendment prohibits US economic assistance to Yugoslavia in the fiscal year in 1991 unless certain conditions are met".

But she added: "We have not reached a final decision on Yugoslavia's status under this legislation... however continned Serbian blockage of an orderly transfer of constitutional authority will have a direct influence on our decision."

The US allocated $5m as economic assistance for Yugoslavia for the current fiscal year.

The State Department has made it clear that the Nickles amendment was never intended to be directed at the federal government led by Mr Ante Marković.

Instead, the amendment was primarily aimed at Serbia, specifically its suppression of human rights among ethnic Albanians in the autonomous province of Kosovo which was forcibly reintegrated into the republic last year.

Mr Marković has received full backing for his economic reforms from US President George Bush.

A statement released yesterday by the federal government in Belgrade said: "President Bush expressed his readiness [in a telephone call on Monday] to give full support to the programme of the federal government."

Western diplomats in Belgrade said that opposition to Mr Mesić's appointment as president has angered, if not embarrassed, the US.

They added that US diplomats in Belgrade had obtained assurances by Mr Borisav Jović, a Serb and the outgoing federal president, and Mr Slobodan Milosević, the communist president of Serbia, that they would elect Mr Mesić.

# US-European contacts ease security fears

**By Peter Riddell**, US Editor, in Washington

US and European discussions concerning the future of Nato and European security look set for a smoother ride, thanks to recent high-level moves ending the disputes evident earlier this year.

Chancellor Helmut Kohl of Germany underlined this closer thinking in remarks made during his visit to Washington. He said "the North Atlantic alliance remains an indispensable security link between Europe and North America" and that "the substantial presence of North American forces in western Europe and on German soil will remain an indispensable guarantor of transatlantic ties".

That was just what the Bush administration wanted to hear. Only two months ago the US was worried by comments by, among others, Mr Jacques Delors, president of the European Commission, that the EC should have its own defence policy.

Washington was fearful not only of a reduction in the importance of Nato but also of the development of an exclusive European caucus within the alliance, pushing the US to one side.

The US believes it must be a full participant in discussions if it has troops in Europe.

A somewhat clumsy objection by the State Department along these lines irritated European governments, which were concerned with the related EC inter-governmental conference on political union and security matters. So Mr James Baker, the secretary of state, moved to soothe feelings with comments to EC foreign ministers five weeks ago.

He suggested any new European arrangements must retain Nato's integrated military command structure, avoid marginalising any allies – including European members of Nato outside the EC, such as Turkey – and should preferably develop a capacity to become involved beyond Europe's borders.

While Nato is restricted to operating within its own area, the US, Britain and the Netherlands favour a European rapid deployment force under the auspices of the Western European Union (WEU) to act outside Europe.

Chancellor Kohl said that WEU could strengthen the European pillar of the alliance and develop "a security policy dimension within the community".

Earlier this month Mr Baker and Mr Hans Dietrich Genscher, Germany's foreign minister, issued a joint statement setting out principles. Mr Baker said "the US is ready to support arrangemsnts the European allies decide are needed for the expresslon of a common European foreign, security and defence policy."

Mr Baker and Mr Genscher agreed that Nato "should be the principal venue for consultation and the forum for agreement on all policies bearing on the security and defence commitment of its members under the North Atlantic treaty."

One senior European minister closely involved commented last week that US diplomacy was now more skilful than a few weeks ago. He believed the discussions in Nato and the EC inter-governmental conference were now aligned, leading up to decision-making summits in the autumn. The minister's view was that, while there are many complications, there la a chance it will work out.

# Brussels faces opposition on air slots plan

**By David Gardner** in Brussels

EUROPEAN Commission plans to loosen the stranglehold by flag airlines on the Community's main airports have run into stiff opposition.

The plans are crucial to the "open skies" programme that the Commission aims to complete by January 1993.

However, according to Mr Karel Van Miert, EC transport commissioner: "It doesn't look as though we'll get an early decision. Some governments don't like it, and most airlines don't want it."

Under the proposal adopted by the Commission last December, it wants prized landing and take-off "slots" that are unused or suddenly become available to be put into a pool. At least half of the pool slots would then be apportioned to new entrants to scheduled air transport.

Some EC hnb airports already do this, but most preserve their finite capacity for the big national carriers, who monopolise existing slots and have "grandfather rights" of first refusal on new ones.

Mr Van Miert said in an interview that the proposal was not "a lost cause", bnt added that tbe "chances are looking remote".

Without the measure, he said, "life will be very difficult for newcomers".

Some member states, such as the UK, are wary of the enforced redistribution of slots, arguing that the market should decide, he said.

Karel Van Miert: life will be difficult for newcomers

While others, such as France and Italy, are displaying more protectionist instincts after intensive lobbying by their national carriers, according to Mr Van Miert.

New entrants, often with lower costs, are seen as vital in order to stimulate competition with the EC's flag carriers, which until the Commission's deregulation drive got properly underway last year operated as a near cartel in Community aviation.

The slots plan is one of five key measures needed to complete liberalisation of the airline industry.

The others are:

■ Airline licensing: from July next year, common rules on capital adequacy and technical fitness for airlines will replace national licensing.

■ Double disapproval: this would mean that new fares proposed by airlines could only be blocked if both governments at each end of the ronte opposed them.

■ Cabotage: this would allow national airlines from one state to offer domestic flights in another.

■ Freedom: the right of national airlines to take on board and deliver passengers at intermediate points on scheduled routes.

Although all these measures may be diluted by member states, the battle has been especially fierce over slots, which are vital assets for scheduled airlines that are now facing steep losses – largely as a result of overexpansion in the 1980s.

However, Brussels has another weapon in its armoury. Competition rules from which airlines are exempt in the distribution of slots could be enforced if the redistribution plan is emasculated, a senior Commission official says.

At the moment the distribntion is carried out by traffic scheduling committees run by the airlines themselves.

# Major claims victory in inflation battle

**By Philip Stephens**, Political Editor, in London

A FUTURE Conservative party government would never allow a repeat of the surge in inflation seen in the late 1980s, Mr John Major, UK prime minister, pledged last night. He called on British industry to abandon the concept of automatic pay increases.

In an upbeat speech to the annual dinner of the Confederation of British Industry, the employers' organisation, Mr Major said that "on any sensible measure", the government was now winning the battle against inflation.

That would be followed by a "welcome resumption" of growth in the second half of this year.

His optimism, however, was echoed only faintly by business leaders. Sir Brian Corby, president of the CBI, led calls at the dinner for an early cut in interest rates to pull the economy out of recession.

Sir Brian told Mr Major: "The balance of risk now clearly favours further relaxations in interest rates... The manufacturing cycle may be beginning to bottom out. But I'm afraid there is no rapid recovery in prospect. Not in manufacturing, nor elsewhere in the economy."

As the pre-election battle at Westminster intensified, the prime minister's predictions were derided by the opposition Labour party.

Mr Gordon Brown, Labour's spokesman on trade and industry, said Mr Major now headed a "caretaker government, clinging on to power, bereft of ideas and devoid of policies".

Mr Neil Kinnock, Labour party leader, made it clear thet he would not back away from his party's fierce attacks on the government's reforms of the bealth service. In fierce clashes between the two leaders in the House of Commons, Mr Kinnock insisted that the independent trust hospitals established by the government were effectively outside the NHS.

Mr Major's warning on pay came in a lengthy section of his speech devoted to a pledge that there was now a framework in place to prevent any repetition of the "stop-go" economics that had bedevilled Britain in the 1970s and, he admitted, to a lesser extent over the past few years.

Once inflation was fully under control again – and it would fall to 4 per cent by the end of the year – sterling's membership of the European exchange rate mechanism (ERM) would deliver to industry its two most "precious" requirements: low inflation and stable exchange rates.

He added, however, that membership of the ERM had "made explicit" Britain's need to compete on international markets.

That meant that "industry must break free of the bad old habits of paying itself, on the shopfloor or in the boardroom, money it cannot hope to earn".

Warning that the speed of the recovery would depend on wage moderation, Mr Major said: "There should be no such thing as automatic pay increases. Pay must be linked to performance and productivity".

The implication was that the speed of further reductions in interest rates would be closely linked to the trend of pay awards, although Mr Major did not rule out the possibility of a small cut from the present 12 per cent in the near future.

# Ford, VW may build assembly plant in Portugal

**By Patrick Blum** in Lisbon

FORD and Volkswagen are soon expected to announce the go-ahead for an ambitious Esc400bn ($2.6bn) joint vehicle development project in Europe including the building of an assembly plant in Portugal.

The two companies are cooperating in the development of a so-called multi-purpose vehicle or people carrier, a high roof 7-8 seat estate car, to compete with vehicles such as the Renault Espace.

This market niche, which has been pioneered in Europe by Renault, is expected to be one of the fastest growing segments of the European car market in the 1990s.

Final approval is still required from the European Commission because of the scale of subsidies involved, but according to officials in Brussels this is now likely to be a formality, provided that aid levels remain at acceptable levels.

Brussels has been concerned that the project should meet EC competition policy requirements and that it should not include hidden subsidies. The Commission has to approve all motor industry investment projects involving state aid of more than Ecu12m ($14.28m).

Negotiations between the Portuguese government and the two companies are well advanced, with agreement on the amount of subsidies to be provided, and are now focusing on "minor contract details", according to Portuguese officials.

The project involves the construction of a new plant on a green-field site in Palmela in the Setubal industrial belt close to Lisbon, to produce 170,000 vehicles a year. Full production is expected to be reached by 1996.

Portugal is offering a three-part package of incentives that could be worth up to Esc120bn to back its bid for the project, which has seen aggressive lobbying from other potential European sites, notably in Spain and in Ireland.

The package includes a cash grant of more than Esc80bn, training subsidies and fiscal concessions, with the EC providing about 70 per cent of the cash incentives. Part of the EC money will come from unused funds previously allocated to Portugal under various programmes.

To counter potential opposition within Europe, Portugal has argued that the venture will benefit other European car manufacturers by opening up and helping to build a market for what officials say will be a new type of vehicle.

"The alternative is to see the Japanese moving into this segment (of the European market)," says one official. The VW/Ford plant will be the largest single foreign investment ever in Portugal and meets the Portuguese government's desired objective of attracting high technology companies.

The government hopes that it will have a ripple effect throughout Portuguese industry by encouraging the development of local suppliers and raising quality standards.

Officials forecast that exports from the plant will account for about 23 per cent of all Portuguese exports, thereby significantly helping to reduce a troublesome trade deficit.

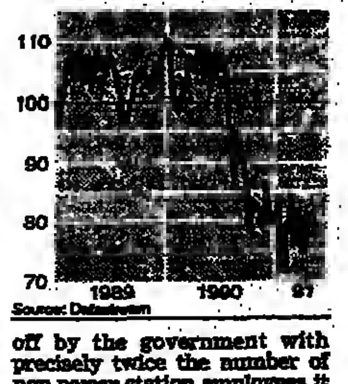
THE LEX COLUMN

# The long haul back for BA

Judging by the 3 per cent advance in BA's share price yesterday, the two thirds collapse in full-year profits came as a positive relief. Excluding aircraft disposals, redundancy costs and the Tristar write-downs, the underlying drop in 1990-91 is more like 50 per cent. The company appears to be tightening its grip on costs, while the soothing noises accompanying the dividend announcement suggest it will take another Gulf war for the pay-out to be cut this year. A 7.2 per cent yield undoubtedly limits the risk for the share price.

**British Airways**

Share price relative to the FT-A All-Share Index




Source: Datastream

The problem for investors is in charting the shape of BA's recovery path. The worst of the nightmare may indeed be over: but with losses expected in the normally buoyant first quarter the best that can be hoped for in this current year is break-even or perhaps a modest profit. Thereafter traffic volume and yields should start to climb, but competition on the newly liberalised North Atlantic routes will also be hotting up. United and American not only have the stamina which Pan Am and TWA so conspicuously lacked. They also enjoy the inestimable advantage of a huge and well protected home market. This is just what BA lacks in the patchwork skies of the European Community, and what it is likely to be denied for some time in spite of another pointed plug from Lord King yesterday. There has always been a gap between Brussels' liberal rhetoric and the EC's achievements in challenging the air transport cartel. If anything, the tide in continental Europe seems to be moving back in favour of state control.

BA has weathered the crisis better than most of its rivals, and by dint of cutbacks and financial engineering boasts a balance sheet in reasonable repair. While the shares should respond in the short term to signs of recovery in the UK and the US, there are too many uncertainties to make them other than a gamble on a longer view.

## National Power

The restrained market reaction to the savage cost cuts announced by National Power yesterday was understandable, given that the shares had already risen by more than 5 per cent on the day. The market may have underestimated the news just the same. Although the pre-flotation prospectus predicted large job cuts, it did not spell out that National Power was being sold off by the government with precisely twice the number of non-power station employees it actually required.

The announcement raises the question whether National Power is simply trying to have a second bite at the cherry. The answer is a qualified yes, only because the timescale represents a considerable departure from the much more leisurely schedule laid out in the prospectus. The company is not so much trimming some of its pre-privatisation fat as lopping it off. For a rather more cynical demonstration of a new-found commercialism, take British Telecom's policy of letting investors absorb such news in instalments.

The earlier assumption was that by 1994 National Power would reduce annual staff costs by some £40m to around £340m. It now seems that annual fixed costs will fall by up to £100m as early as the end of next year. The saving will grow as power station staff levels are reduced up to 1994. Meanwhile, National Power's 1989-90 report and accounts included a £411m extraordinary charge for restructuring costs. Further provisions will apparently not be needed, in which case earnings growth will be steadily enhanced. But one might argue this does not greatly alter an already strong case for investing in National Power. The pressure will now be on PowerGen to follow suit, even if it was somewhat leaner at the time of flotation.

## UK economy

The April figures for the UK money supply are a timely reminder of how confused monetary doctrine has become. The figures of 1.6 per cent annual growth in narrow money and 10 per cent growth in M4 are not in themselves unexpected. But they leave room for two quite opposite interpretations. One school would argue that money growth of under 2 per cent compared with growth in money GDP of around 5 per cent shows the squeeze is going too far. The other would say that if growth in narrow money is a prompt indicator of consumer behaviour, it ought to have risen sharply with retail sales in March and fallen back in April. In fact, it did the reverse.

The cynical case is that the government no longer cares either way. Interest rates must be kept up to protect sterling in the event of further Labour gains in the polls. On this argument, ERM membership condemns the government to a vicious spiral. The more Labour looks like winning, the further sterling falls and the further interest rates rise, thus further increasing the chances of a Labour victory. Government policy may not yet have been reduced to quite such a narrow scope. It is nevertheless arguable how far the UK now has a monetary strategy at all.

## Trade Indemnity

It is one of the bitter ironies of the insurance business that demand for cover rises with the level of risk. The recession has left Trade Indemnity's customers so frightened that they have swallowed a 40 per cent rise in credit insurance premiums this year.

According to the company, this is grounds for a £39m rights issue to allow it to exploit the implied opportunity for expansion.

That would be fine if the economy were about to recover. More sober analysis suggests the issue was needed simply to plug the balance sheet hole left by last year's £41m loss provision. Worse still, the red ink is still flowing as insolvencies continue at a record clip. Further provisions will be inevitable in the current year, even probably against the discontinued commercial mortgage indemnity business.

Trade Indemnity has a strong enough hold on the domestic credit insurance market to ward off growing Continental competition, even if ECGD's insurance services business now looks set to elude its grasp. But assuming - and it is a big if - that the dividend is maintained this year, the shares are still on a very modest yield. The Prudential, one of Trade Indemnity's larger shareholders, ought to be a good judge of whether the issue represents a worthwhile gamble on recovery. It is staying out.



## WORLDWIDE WEATHER

| | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 20 | 68 |
| Algiers | S | 20 | 68 |
| Amsterdam | C | 16 | 61 |
| Athens | F | 22 | 72 |
| Bahrain | S | 33 | 91 |
| Bangkok | F | 34 | 93 |
| Barcelona | S | 19 | 66 |
| Beirut | - | - | - |
| Belfast | F | 18 | 64 |
| Belgrade | F | 20 | 68 |
| Berlin | C | 17 | 63 |
| Biarritz | S | 16 | 61 |
| Bombay | S | 34 | 93 |
| Bordeaux | S | 23 | 73 |
| Boulogne | F | 15 | 59 |
| Brussels | C | 18 | 64 |
| Budapest | C | 19 | 66 |
| Buenos Aires | R | 21 | 70 |
| Cairo | S | 27 | 81 |
| Cape Town | F | 19 | 66 |
| Caracas | F | 31 | 88 |
| Casablanca | S | 23 | 73 |
| Chicago | F | 14 | 57 |
| Cologne | C | 19 | 66 |
| Copenhagen | F | 15 | 59 |
| Corfu | S | 21 | 70 |
| Dallas | C | 21 | 70 |
| Dublin | F | 17 | 63 |
| Dubrovnik | S | 20 | 68 |
| Edinburgh | C | 14 | 57 |
| Faro | S | 23 | 73 |
| Florence | S | 23 | 73 |
| Frankfurt | C | 20 | 68 |
| Geneva | S | 19 | 66 |
| Gibraltar | S | 31 | 75 |
| Glasgow | R | 13 | 55 |
| Helsinki | R | 10 | 50 |
| Hong Kong | F | 31 | 88 |
| Innsbruck | S | 20 | 68 |
| Inverness | F | 16 | 61 |
| Islamabad | C | 27 | 81 |
| Istanbul | F | 15 | 59 |
| Jakarta | C | 33 | 91 |
| Jersey | S | 16 | 61 |
| Johannesburg | S | 21 | 75 |
| Lima | C | 23 | 73 |
| Lisbon | S | 23 | 73 |
| London | C | 21 | 70 |
| Los Angeles | C | 13 | 55 |
| Luxembourg | C | 20 | 68 |
| Madeira | S | 21 | 70 |
| Madrid | S | 22 | 72 |
| Majorca | F | 23 | 73 |
| Malaga | S | 21 | 70 |
| Malta | S | 20 | 68 |
| Manchester | C | 15 | 59 |
| Manila | F | 36 | 97 |
| Melbourne | Dr | 11 | 52 |
| Mexico City | C | 29 | 84 |
| Miami | C | 27 | 81 |
| Milan | S | 22 | 72 |
| Montreal | S | 15 | 59 |
| Moscow | C | 18 | 64 |
| Munich | C | 18 | 64 |
| Nairobi | C | 21 | 70 |
| Naples | F | 21 | 70 |
| Nassau | C | 30 | 86 |
| New Delhi | S | 33 | 91 |
| New York | | | |
| Nice | | | |
| Nicosia | S | 19 | 66 |
| Oporto | | | |
| Oslo | F | 17 | 63 |
| Paris | | | |
| Peking | | | |
| Prague | C | 17 | 63 |
| Reykjavik | | | |
| Rhodes | S | 21 | 70 |
| Rio de Janeiro | C | 20 | 70 |
| Rome | S | 17 | 63 |
| Salzburg | | | |
| San Francisco | C | 8 | 46 |
| Seoul | S | 29 | 84 |
| Singapore | | | |
| Stockholm | | | |
| Strasbourg | F | 21 | 70 |
| Sydney | C | 19 | 66 |
| Taipei | | | |
| Tangier | | | |
| Tel Aviv | F | 22 | 72 |
| Tenerife | S | 26 | 79 |
| Tokyo | | | |
| Toronto | S | 13 | 55 |
| Tunis | | | |
| Valencia | S | 22 | 72 |
| Venice | S | 21 | 70 |
| Vienna | | | |
| Warsaw | | | |
| Washington | | | |
| Zurich | S | 18 | 65 |

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
# COMPANIES & MARKETS
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## INSIDE

### Caterpillar warns of second-quarter loss

Caterpillar, the world's biggest manufacturer of earth-moving equipment, yesterday warned of e second-quarter loss and that its earnings outlook for the rest of the year was uncertain. In the first quarter, the company turned reported a loss of $32m or 32 cents e share. Page 20

### Indonesia stokes up coal


After decades of neglect, Indonesia is stoking up its efforts to take advantage of one of its most abundant energy resources — an estimated 28bn tons of coal reserves. The country is positioning itself to become a major domestic user and a significant exporter of coal by the end of the century as it basks in the warmth of an industry which has seen coal output jump from 325,000 tons in 1980 to 11.2m tons in 1990. Page 27

### Slow growth takes toll in Japan

Matsushita Electric

Matsushita Electric Industrial, the Japanese consumer electronics company, reported a 4 per cent increase in pre-tax profit to Y276bn ($2bn) in tha year to end March, but expects that slower Japanese economic growth and e heavier interest burden will mean a fall in profits this year. Page 20

### Getty buys Mountleigh stake

Nelson Peltz and Peter May, the US entrepreneurs who took the helm of Mountleigh eighteen montha ago, have sold an 11 per cent stake in the property company to the Gordon P Getty Family Trust, one of four trusts set up after the sale of Getty Oil in 1984. Page 24

### YTV profits fall by 45%

Yorkshire Television, which is defending its broadcasting franchise against two rival bids, yesterday reported pre-tax profits down 45.7 per cent to £6.02m ($10.4m) in the six months to March 31,on a 10.5 per cent fall in turnover to £94.9m. The biggest fall in income was in programme sales to the ITV network, down from £24.3m to £18.7m. Clive Leach (above), YTV'S managing director, said two large drama series had been sold in the first half of last year, whereas this year sales were biased towards the second half. Page 24

### ICI Australia jumps 69%

Profitable disposals helped boost ICI Australia's results by 69 per cent in the first six months. The group, 62 per cent-owned by ICI of the UK, yesterday unveiled a consolidated net profit of A$73m after abnormal items. However, trading profit before abnormal items was down from A$116m to A$73m, reflecting the impact of weak economic conditions in Australia. Page 22

### Market Statistics



### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | Lyons Eaux Dum. | 605 | + | 16 |
| **Rises** | | | | Soc Gen de Fr. | 447 | + | 20 |
| Brown Boveri | 1180 | + | 50 | **Falls** | | | |
| Deutsche Bank | 653 | + | 14 | Beghin-Say | 641 | – | 14 |
| Mercedes Hld | 565 | + | 15 | Immobanque | 750 | – | 30 |
| **Falls** | | | | Printemps (Au) | 846 | – | 12 |
| Colonia Vers | 1170 | – | 30 | **TOKYO (Yen)** | | | |
| Deckel (Fr) | 141.5 | – | 6.5 | **Rises** | | | |
| Rheinmetall Br | 315 | – | 17 | Akai Electric | 1110 | + | 90 |
| **NEW YORK ($)** | | | | Oval Eng | 905 | + | 71 |
| **Rises** | | | | Noritz | 574 | + | 44 |
| Apple | 46¼ | + | 2 | Nippon Conveyor | 1040 | + | 75 |
| Bristol-Myers | 82⅞ | + | 1⅜ | **Falls** | | | |
| Merck | 127¾ | + | 2⅛ | Tokyo Kikai | 950 | – | 200 |
| Pfizer | 58¼ | + | 1¾ | Teac | 1100 | – | 140 |
| **Falls** | | | | | | | |
| Cummins Engine | 36⅞ | – | 1¼ | | | | |
| Orion Pictures | 47 | – | 1¼ | | | | |
| **PARIS (FFr)** | | | | | | | |
| **Rises** | | | | | | | |
| Imm de France | 1270 | + | 72 | | | | |

New York prices at 12.30pm.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LONDON (Pence)** | | | | Tiphook | 23½ | + | 2½ |
| **Rises** | | | | Wiggins Teape | 238 | + | 9 |
| Admiral | 315 | + | 24 | **Falls** | | | |
| Brit Airways | 164½ | + | 5 | Brent Walker | 29 | – | 3 |
| BP | 328 | + | 7 | Cityvision | 36 | – | 3 |
| Cook (DC) | 25 | + | 5 | Fairline Boats | 523 | – | 22 |
| Elect Pckge £ | 2235 | + | 97 | Hanover Druce | 50 | – | 5 |
| Learmonth & B | 62 | + | 7 | Harris (Ph) | 121 | – | 11 |
| Medeva | 135 | + | 8 | TSB Chnl Isl | 135 | – | 24 |
| RHM | 311 | + | 8 | Trade Indemnity | 68 | – | 12 |
| Readicut | 54½ | + | 3½ | | | | |
| Sinclair (Wm) | 281 | + | 21 | | | | |

# Fiat holds payout despite setback

By Haig Simonian in Milan

FIAT, Italy's biggest private-sector company and a barometer of the domestic economy, yesterday ended weeks of speculation by announcing an unchanged dividend of L370 for ordinary and preference shares and L400 for savings stock.

The decision comes despite a severe fall in net group profits to L1,613bn ($1.27bn) last year from L3,306bn in 1989, largely as a result of growing difficulties in the core automotive business.

The dividend payment, made by the parent company rather than the group, reflects the rise in parent company earnings to L1,417bn last year from L1,211bn in 1989.

The apparently contradictory trends between group and parent company earnings stem from the fact that parent company profits principally comprise dividends from group subsidiaries, and thus have e one-year lag compared with the group's current performance.

As a result profits for 1989, a record year for the group, are only now being reflected in parent company results.

The unchanged dividend, combined with the announcement of a renewed share buy-back programme of up to L626bn from July, prompted some analysts to forecast an impending rights issue. A previous buy-back, launched in 1990, closed earlier this year.

Additional evidence was seen in the announcement earlier this month that Fiat would seek shareholder approval for the formal renewal of a long-standing authorisation to raise up to L5,000bn on the markets.

One analyst commented as to why the company, engaged in a heavy capital spending programme, might want more funds: "There are few businesses which are more cash generating than cars in good times, and more cash absorbing in bad."

Giovanni Agnelli, chairman: impending rights issue?

Net earnings at group level after minority interests fell to L2,136bn last year from L3,657bn, while consolidated group sales rose by almost 10 per cent to L57,209bn from L52,019bn in 1989.

The rise in turnover follows the inclusion for the first time of figures for Toro insurance and La Rinascente retailing subsidiaries. Excluding their L5,320bn combined contribution, consolidated group turnover would have slipped marginally to L51,889bn.

Fiat's figures confirm the depressing picture painted by its preliminary results in January, which confirmed that the downturn in the car market, notably in the second half of last year, had bit heavily into its finances.

Net group liquidity fell by L1,551bn to L570bn at end-December as rising stocks pushed up working capital. Increased spending on both fixed assets and research and development (R&D) also took their toll. Fixed investment went up by L787bn to L4,210bn and R&D spending up by L426bn to L2,250bn last year. Fiat attributed the fall in group figures and the halving of the profits margin on its core industrial activities to 4.3 per cent of sales from 9.3 per cent to weaker economics conditions and the Gulf crisis.

The group has also been buffeted by acute competition in the domestic car market, with a fall in its group share to 52.8 per cent last year from around 57 per cent in 1989.

"Earnings were also affected by high domestic labour costs and exchange rate factors", Fiat said. The company was also hit by problems at its big Brazilian subsidiary.

Some analysts questioned the decision to maintain the dividend because the company is already aware of the problems it faces in many activities, notably cars. Earlier this year, Pirelli, with a somewhat similar structure, cut the dividend paid by its parent company in recognition of difficulties at its tyres operations.

# British Steel's US venture revised

By Martin Dickson in New York

BETHLEHEM STEEL of the US and British Steel have radically altered their plans for a possible joint venture in the fiercely competitive US market for structural steels.

The two companies announced in January that they were considering a joint venture that would consolidate steelmaking for Bethlehem's structural and rail operations at one site, rather than two as at present.

However, Bethlehem announced yesterday that after a four-month feasibility study the two companies had rejected the idea of consolidating production in favour of investment at both existing sites.

The announcement came just a day after British Steel announced the impeding resignation of Mr Martin Llowarch, its 55-year-old chief executive. The move has clouded the company's hopes of organising an orderly succession to the group's 70-year-old chairman, Sir Robert Scholey.

It is understood the two had different views of the merits of a joint venture with Bethlehem in the earliest stages of the deal. However, British Steel insists Mr Llowarch is leaving the company for personal reasons and not because of differences over policy.

The company said the decision to continue with two plants at Bethlehem and Steelton in Pennsylvania would cost rather more than the original plan, but it would produce more competitive operating costs and greater flexibility. It did not disclose any financial details.

Under the original plan Bethlehem's traditional integrated steelmaking plant was to be closed, with all production transferred to a new electric arc plant at Steelton. The revised plan envisages investment in electric arc technology and continuous casting machinery at both sites.

However, British Steel said the venture still turned upon negotiations with the United Steelworkers Union over new working practices which it said was vital to the project's success.

About 2,000 jobs would be lost under the new plan, the same as under the original scheme, but the scale of redundances at each plant would be different.

The Bethlehem joint venture – which would give British Steel the large US market presence it has long been seeking – would use the same technology as low-cost mini-mills, which in recent years have made rapid advances into markets for structural steel.

# National Power to axe 2,000 jobs

## Juliet Sychrava looks at the logic behind the UK generator's decision

National Power, one of Britain's recently privatised electricity generators, is to cut 2,000 jobs in a restructuring that will roughly halve its white-collar workforce by the end of next year, the company told its staff yesterday.

Mr John Baker, chief executive, said the restructuring would cut fixed costs by £100m ($173m) or about a third, and save several hundred million pounds over three to four years.

Six directors who report directly to the main board, about a quarter of the managers at that level, are due to go. One board member, Mr Peter Chester, director for technology and environment, is retiring and will not be replaced.

The news did not come as e surprise to employees who were told before the company was floated last year that 5,000 jobs would go before 1995. However, the method used to reach the decision was somewhat unusual.

A visitor to the company's offices is sure to spy pens printed with the legend "Notional Power".

It is not a misprint, but the name of e hypothetical company invented by National Power late last year to answer the question: what would be the minimum overhead necessary for a company with exactly the same assets as National Power to run its business? The answer was startling.

The four-man team working on the concept found that Notional Power would need half the number of managers and staff working outside its power stations. It would need about half the number of qualified in-house engineers, because it would contract out its power station design. It would also need less than half the level of central procurement staff, because power stations would do their own buying, under limited central supervision. It would need less than half the number of building and office service staff.

Notional Power was one of three exercises that led to the 2,000 job cuts announced today. The second, which involved asking each department what it needed from central in-house services, also found that substantial cuts could be made. These two exercises were backed up by research into staffing levels et other companies, including BP, ICI and British Telecom.

It is not surprising that National Power would want to trim some of the fat it inherited from the division of the Central Electricity Generating Board (CEGB) last year.

But while most City of London analysts expected a gradual paring of operations, few expected National Power – viewed as more lumbering than its rival PowerGen – to be so thorough and so speedy.

The real rationale for the cuts, chief executive Mr John Baker acknowledges, is not a desire to change the way National Power works. It is, quite simply, to save money. Behind this cash-saving exercise lie as yet undisclosed spending plans.

National Power has already hinted that it is considering buying coal assets overseas. Its other big project, e plan for burning 10 per cent of Britain's rubbish to generate electricity, could mean an investment of more than £150m over 10 years.

National Power has taken a close look at rival PowerGen. "Our total staff costs were around 10 per cent of costs, theirs were around 7.7 per cent," says Mr Baker. "That gave us a measure. Then we took into account that PowerGen would be attacking its costs too, so we came to e judgment of where they might be heading. It is our ambition at least to match that."

The restructuring will be implemented in seven key projects or business areas: power generation, engineering and project services, procurement, new plant, research and technology, the environment, and human resources.

"Each business has been told they have to take out layers of management, and simplify their procedures," Mr Baker says.

"They have been given target expenditure and a target number of staff, and they must not exceed that. They have until July to work out how [to] do it, and until autumn to implement it," he adds.

The ultimate aim is decentralisation. Power stations will have to decide exactly how many qualified engineers they need to maintain their equipment, and will have to pay for their services. National Power had inherited a large in-house staff of engineers from the CEGB.

National Power will also cut in-house engineering designers and planners.

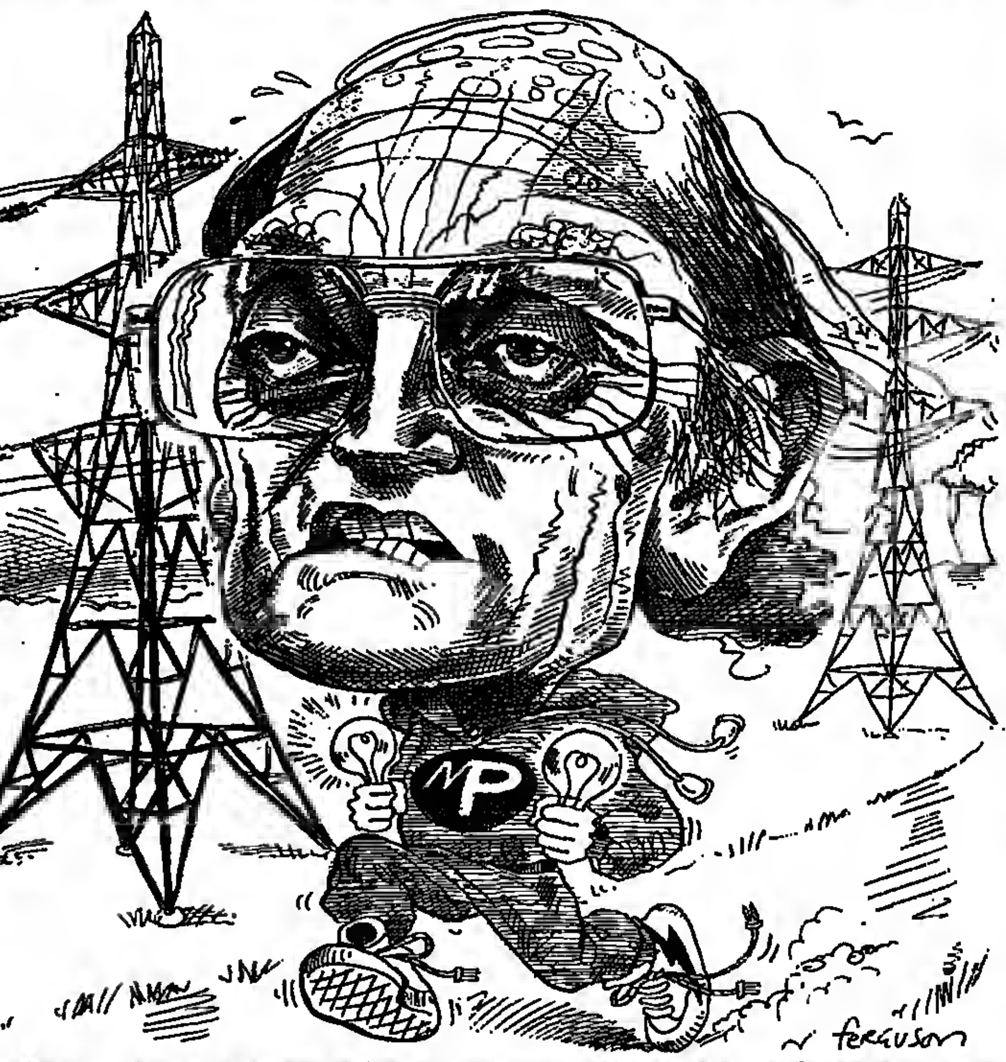
"We have switched to turnkey contracts where we buy the finished product. So we don't need so much in-house expertise," Mr Baker says.

The company will, he says, continue to have certain central policies, which will ensure staffing levels do not fall below a critical minimum. Bidding into the electricity pool, or spot market, will be centrally integrated, Mr Baker notes.

Whether or not the restructuring brings e new spirit of enterprise to National Power's stations, it will mean more cash in the long term.

"We want to generate more internal cash flow so the gearing doesn't get out of hand," Mr Baker says. Gearing is currently 20 per cent, but is expected to rise to about 40 per cent next year, due to the cost of fitting scrubbing equipment at Drax power station.

"Cutting fixed costs is a major part of that, because it goes straight to the bottom line, whereas cutting fuel costs is a benefit largely passed through to the customer in price."




John Baker: undertaking a cash-saving exercise while planning as yet undisclosed spending

Costs are clearly very much on his mind. The Notional Power pens are, he points out, nothing like the slick gold ones handed out by some regional electricity companies. His are plastic.

# Hopewell seeks HK$5.6bn to finance building projects

By John Elliott in Hong Kong

HOPEWELL HOLDINGS, the Hong Kong-based property and construction group headed by Mr Gordon Wu, is to raise between HK$5.64bn (US$724m) and HK$5.93bn through a one-for-one rights issue. It will be one of the biggest fund-raising exercises in the colony for several years.

The issue, announced last night, is intended to broaden the company's capital base and to finance infrastructure projects and other building schemes that it is carrying out in southern China and elsewhere in Asia.

It is being fully underwritten by Mr Li Ka-shing, one of Hong Kong's top entrepreneurs; China Development Finance (part of the Peking-controlled Bank of China); Japan-based DKB Asia; other local business interests; and the arrangers, Wardley Corporate Finance and Peregrine Capital.

Mr Li, who already owns just under 10 per cent of Hopewell, will take up his full rights allocation and is believed to be committed to a similar amount through the underwriting. He is expected to expand his involvement in the company in the future.

The funds will raise Hopewell's net asset value from HK$9.94bn to HK$15.94bn, making it one of the colony's top 20 companies. A minimum of about HK$5.64bn will be raised through the issue of 1.88bn shares at HK$3 each. The figure will rise to HK$5.93bn if warrant holders fully exercise their options.

The company said last night that HK$1.8bn would be used to finance its equity share of an elevated road and rail transport system in Bangkok. The company is to build the US$8.8bn system in a joint venture through Hopewell Thailand. About HK$1.6bn will be used for power station projects in China and the Philippines, HK$1.2bn on hotel developments, and HK$600m on property projects in Hong Kong and Macao.

Two months ago Hopewell finalised a US$800m syndicated loan to finance a US$1bn 123km highway it is building in southern China. The Bank of China, Hongkong and Shanghai Banking and Dai-Ichi Kangyo Bank of Japan were the lead managers.
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# Caterpillar loss warning fails to unnerve Wall St

**By Karen Zagor** in New York

CATERPILLAR, the world's biggest manufacturer of earth-moving equipment, yesterday warned that it might turn in a second-quarter loss. It said its earnings outlook for the rest of 1991 was uncertain.

The company, whose fiscal health has deteriorated since 1988, when it turned in net earnings of more than $616m, blamed its woes on unfavourable economic conditions in the US, Canada and Europe, which have depressed sales more than expected.

Although shares in Caterpillar slid $⅛ to $49 at midday yesterday, in a market which was broadly higher, the company's bleak outlook for 1991 did not cause shock waves on Wall Street.

In the first quarter, Caterpillar turned in a net loss of $32m, or 32 cents a share, reflecting the impact of recession on construction activity.

With construction tending to trail the rest of business, many analysts do not expect a strong recovery in Caterpillar's earnings before 1992, even given the possibility of an improvement in the US economy in the second half.

Caterpillar said the company's economists expected the economy to show some improvement later this year. It said Caterpillar would continue to fine-tune production to meet demand.

The impact of recession on the construction industry was also reflected in the second-qoarter results at Deere & Company, the world's biggest manufacturer of agricultural equipment. The company yesterday turned in net income of $73.1m, or 96 cents a share, against $144m, or $1.90 a year earlier. Sales fell 9 per cent to $1.93bn from $2.12bn.

The results were not as bad as Wall Street had expected. Shares in Deere added $⅛ to $50⅛ yesterday morning.

Mr Hans Becherer, chairman and chief executive, said the results reflected the effects of producing at a significantly lower volume than last year. Deere's total worldwide production fell 14 per cent in the three months.

Mr Becherer said Deere's North American retail sales of indnstrial equipment fell sharply in the 1991 quarter, reflecting lower construction activity from tha recession.

"We believe, though, that we have out-performed the lawn and grounds care prodnct industry, due in part to strong acceptance of newly-introduced products," he said.

# Solvay, Upjohn alliance

**By Andrew Hill** in Brussels

SOLVAY, the Belgian chemicals group, and Upjohn, the US pharmaceuticals company, have formed an alliance to market two of their anti-depressant and anti-anxiety drugs.

Upjohn has been mentioned recently as a possible pharmaceutical partner for ICI, the UK chemicals group in which Hanson now has a 2.82 per cent stake. This deal means the US company will be able to use Solvay's European sales force to market its anti-anxiety drug, Xanax.

Mr Alois Michielsen, of Solvay's executive committee, said yesterday it was an "excellent agreement" for the two companies, but added no further links were planned with Upjohn at this stage.

The strategic alliance should also enable Solvay to attack the US dominance of the anti-depressant Prozac, produced by Eli Lilley, which in two years has captured more than 50 per cent of the US market.

Upjohn has agreed to the joint marketing of Solvay's rival anti-depressant, fluvoxamine, once it receives US regulatory approval.

In Europe, the two companies will start their joint marketing effort in October this year.

# BA falls 62% but maintains dividend

**By Paul Betts,**
Aerospace Correspondent

BRITISH Airways reported yesterday a 62 per cent slump in pre-tax profits for its financial year ended last March and warned it would make a loss in the first quarter of its current financial year.

However, Lord King, BA's chairman, said the airline had decided to maintain its dividend at last year's level of 8.85p because the company was confident airline traffic would recover and BA would "weather the storm better than most of our competitors".

In common with other leading international airlines, BA was hit by the effects of the Gulf war and the recession in many western markets.

The collapse of air travel demand during the Gulf war was largely responsible for a £210m ($357m) pre-tax loss in the last quarter of BA's financial year. The fourth-quarter loss also included £120m in exceptional charges to cover the company's staff reduction programme involving 4,600 people and the write down on older Lockheed L1011 Tristar aircraft which the airline has taken out of its fleet.

BA's pre-tax profits fell to £130m last year from £345m the year before. After-tax profits declined to £95m or 13.2p a share from £245m or 34.1p a share. Turnover rose 2.5 per cent to £4.9bn.

These figures were in line with most City expectations. BA's share price closed 5p higher yesterday at 165p after the company confirmed it was maintaining its dividend.

Lord King said the current financial year would be "difficult" for BA. He said he expected BA to make a loss in the first quarter, returning to profitability in the second.

BA said the new financial year would see a repositioning and restructuring of the company to prepare it to seize the opportunities that would come once air travel recovered.

Sir Colin Marshall, BA's chief executive, said BA's scheduled traffic was improving but was still 8 per cent lower in the latest four-week period to May 19 compared with the same period last year.

# Hopewell blazes long-term trail across Asia

## John Elliott on the group tipped to become one of Hong Kong's 10 largest companies

When Hong Kong's government was failing to meet the colony's need for a new international airport, an extrovert local civil engineer-turned-entrepreneur called Mr Gordon Wu galvanised it into action by devising his own HK$25bn-30bn plan. He was backed by much larger local companies, including Mr Li Ka-shing's Cheung Kong and Hutchison Whampoa.

That was five years ago, but history repeated itself last month when Mr Wu, again infuriated the authorities, by taking amended outline plans to Chinese leaders, who have been blocking the government's HK$100bn (US$12.8bn) airport project.

This week Mr Wn, who heads Hopewell Holdings, is sending details of his revised HK$50bn-HK$60bn plan to Peking.

He says it is a contingency plan and does not want to start building until 1997, when Hong Kong returns to Chinese sovereignty.

"I'm too busy right now," he says, combining a rare display of diplomatic tact with an equally rare admission he has enough work to keep him busy.

Yesterday he hit the headlines in characteristically flamboyant style with a rights issue for about HK$5.65bn, one of the colony's largest such issues. It will leave Mr Wu with his controlling stake of just over 40 per cent, backed by 20 per cent held by family and five executive directors.

Hopewell is tipped by analysts to be one of Hong Kong's 10 largest companies by the end of the decade. It is now in the top 30 with a market capitalisation of HK$7.5bn.

A Princeton-educated son of a Hong Kong taxi fleet owner, Mr Wu founded the company as a property and construction business in 1969 with a HK$15m loan from the Hongkong Bank.

He would probably be richer, and his company a more popular stock, if he had stayed with the conventional Hong Kong property tycoons' business of multi-storey blocks of flats and offices.

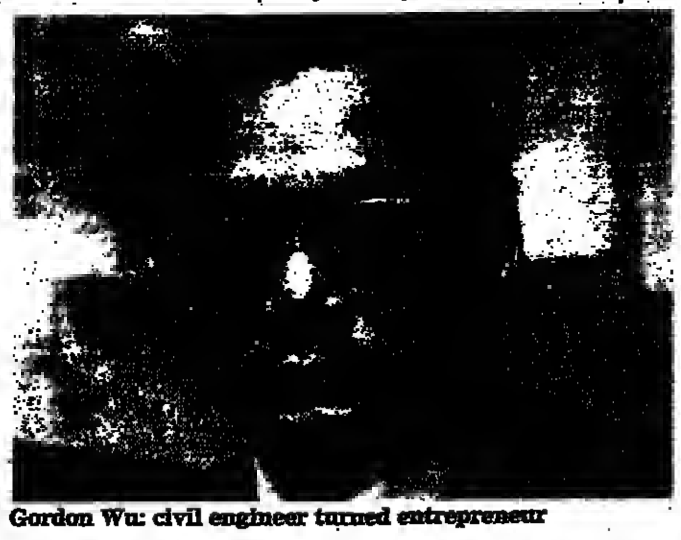
But, unlike most of Hong Kong'a ethnic Chinese entrepreneurs, he is more of an ideas man and an impatient engineer, than a cantious trader – and he rarely avoids controversy.

Aged 54, he is blazing, what he regards, as a more secure, long-term trail across Asia with joint ventnre infrastructure projects on a design, build and operate basis.

Costing over HK$110bn, Mr Wn says these projects will make him the biggest foreign investor in China and give him a wider Asian base.

They inclnde: a 123km, US$1bn highway and a 1320MW, HK$8bn power station in southern China, where he has built a hotel and a 700MW, HK$3.9bn power station; a second 700MW power station in the Philippines following the first US$45m, 210MW project; and a US$8.8bn road and rail system in Bangkok.

Mr Wu forecasts these projects will produce net profits of HK$3bn or more in 1994-95, an increase of "not less than" HK$700m this year. Last year there was HK$517m net profit on HK$1.09bn turnover, including contributions from Tileman and Slipform Engineering of the UK which Hopewell bought three years ago.Despite his successes, doubts remain about his ability



Gordon Wu: civil engineer turned entrepreneur

to deliver and there is concern abont insufficient depth of senior and middle management.

Li Ka-shing'a involvement might help allay some of these concerns, but basically Mr Wu is regarded as a maverick with sudden enthusiasms which stretch his group's financial and managerial capabilities.

A few years ago he was sitting in the 1200-room China Hotel, which he had designed and built as a pioneering joint venture in the southern Chinese city of Guangzhou (Canton) when there was a power failure. So, with little relevant experience, he conceived the HK$3.9bn Shijiao B power station which he designed, financed, built and operates for the provincial authorities.

Mr Wu's expertise is putting together complete packages, including finance, for poorer countries on what he calls a "hire purchase basis", using minimal Hopewell capital.

On Shijiao B, where he is a 50 per cent partner with mainland China and Japanese interests, more than 80 per cent of the cost came from bank loans.

Hopewell put up HK$150m of capital, which it more than recouped with a HK$300m early construction completion bonus. It also has construction profits, plus proceeds from selling electricity, which should yield HK$1.5bn-HK$2bn until China becomes the owner in 1998.

But he had problems for several years obtaining land and finance for his south China highway, which will be financed by tolls. The set-backs were worsened by China's 1989 Tiananmen Square crisis which forced him to cancel a HK$3.8bn rights issue in Hong Kong and removed from power his main supporter in Peking – Zhao Ziyang, the party leader who was sacked.

In 1983 he made enemies in the Hong Kong government by constructing what was then Hong Kong's highest building, the Hopewell Centre, as his 66-storey company headquarters after a bitter planning battle which went to court.

He followed that three years later with his controversial airport plans, and in 1987 was caught up in a horse racing scandal.

Now he plans a 91-storey hotel as Hong Kong's next tallest building.

Although he has many critics, Mr Wu clearly a number of powerful backers. "They give me the confidence that I need to *do* things", he says.

# Matsushita lifts pre-tax profits to Y276bn

MATSUSHITA Electric Industrial, the Japanese consumer electronics company, reported a 4 per cent increase in pre-tax profit to Y276.5bn ($1.98bn) in the year to end-March, but expects that slower Japanese economic growth and a heavier interest burden will mean a fall in profits this year, writes Robert Thomson in Tokyo.

Sales last year rose 10 per cent to Y4,691.6bn, while consolidated sales also increased 10 per cent to Y6,599.3bn and pre-tax profit was 4 per cent higher at Y597.4bn, which did not include the results of the US entertainment company, MCA, acquired for $6.1bn in December.

The company said the slow profit growth last year was due to an 86 per cent increase in capital spending and demand was strong in most of its product categories. Video equipment sales rose 7 per cent and the company said its new, light-weight camcorder, which followed a successful Sony product onto the market, had been a success in Japan.

Colour television sales grew 12 per cent, partly due to the company's introduction of a flat picture tube, while sales of andio equipment rose 7 per cent, as demand for portable headphone cassette players and car audio equipment remained strong.

Sales of communications and industrial equipment rose 13 per cent, Electronics component sales, including semiconductors, rose 8 per cent and sales of batteries and kitchen-related products rose 12 per cent.

The company, which has brands such as National and Panasonic, said foreign sales rose 13 per cent, but it presumes that recession in the US and parts of Europe, along with increasing trade friction, will slow sales in the current year. Matsushita also expects the higher interest expense incurred with the MCA purchase will hurt earnings, as will intensified international competition in several of the company's most important product lines.

Sales for the parent company are expected to rise 5 per cent to Y4,930bn, with pre-tax profit down 8 per cent to Y255bn, while consolidated sales are predicted to increase 14 per cent to Y7,540bn, with pre-tax profit falling 6 per cent to Y562bn.

# Groupe Suez forecasts improvement in results

**By David Lascelles,**
Banking Editor

GROUPE SUEZ, the French financial and industrial group, expects this year's results to show an improvement on last year's earnings of FFr33 per share, according to Mr Gérard Worms, the chairman and chief executive.

At a briefing for press and analysts in London yesterday, Mr Worms said: "After four months we can't say that this aim is not achievable."

But he stressed there were significant uncertainties in forecasting results because of factors such as the zinc price in the group's mining activities and risks on the banking side.

Improved profitability was a main goal for the group following last year's fall in net income to FFr3.9bn ($672m) from FFr4.1bn the previous year.

This was to be achieved by streamlining the group, focusing it more sharply on selected activities and raising the quality of management.

Mr Worms said that the group's return on equity of 10 per cent last year "was acceptable but insufficient to ensure the gronp's well-balanced long-term growth."

Mr Antoine Jeancourt-Galignani, the chief executive of Banque Indosuez, said he was surprised at the number of rumours circulating in the London market about his plans to acquire a UK merchant bank.

He said that there was no truth in these rumours.

Suez had been approached by the Midland Bank as a possible partner for its continental European activities.

However, after studying the proposition carefully, Suez had decided not to proceed with this plan.



# Hongkong Telecom unchanged

**By John Elliott**
in Hong Kong

HONGKONG Telecommunications, the local subsidiary and leading profit earner of the UK's Cable & Wireless group, yesterday announced net profits little changed at HK$4.34bn (US$557m) for the year ended March 1991, compared with HK$4.36bn in 1989-90.

Turnover increased by 15.14 per cent to HK$16.27bn, but profits were hit by HK$730m provisions for deferred taxation following a change of the Hong Kong government's tax policy on leveraged leasing transactions.

These provisions were included in the results as an extraordinary item.

Two months ago, the company cut more than 1,100 jobs, about 8 per cent of its workforce, to cut costs. Redundancy and other payments are budgeted to cost HK$130m.

Mr Mike Gale, the chief executive, said the results were "in line with expectations, given slow global growth worldwide". International telephone traffic grew more slowly than expected, but calls to China exceeded expectations by growing at 36 per cent. China now accounts for 38 per cent of the international phone traffic.

Last November, the government clamped down on tax benefits stemming from depreciation allowances on aircraft and ship leasing because they had grown rapidly over five years and were expected to amount to 5.5 per cent of the colony's tax take last year.

Hongkong Telecom was one of the largest beneficiaries of these allowances and it had hoped to reduce the impact of tha colony's 16.5 per cent tax rate to 7.5 per cent in the year to March by deferring up to 4 to 5 per cent tax through aircraft leasing in addition to 3 to 4 per cent on its own capital investments.

The company is regulated through a scheme of control which is being re-negotiated because tha last agreement expired in March. Mr Gales said the new agreement was likaly to restrict price increases to less than inflation.

Talks are also in progress about the future of the company's monopoly on domestic voice communications through fixed telephone links, which expires in 1995.

Hongkong Telecom, which is 59 per cent owned by Cable & Wireless, is paying a dividend of 33 cents, up from 28 cents last year

# B&D sells Brazil unit

**By Christina Lamb** in Sao Paulo

BLACK & Decker, the home appliance and power tools maker, has sold its Mallory Controls business in Brazil, in what amounts to the country's first management buy-out of a foreign subsidiary financed by international investors.

The $11m buy-out was initiated by Mr Marcel Vanden Bussche, former president of B&D Brazil, when B&D said it planned to sell non-strategic businesses in order to reduce debt after acquiring the Emhart Corporation, which owned Mallory, in 1989.

The buy-out was structured by the Sao Paulo merchant bankers, Apostel, which raised $20m in international finance through the Cent Investments, the Irish group.

Of this, $11m was paid to B&D in the US and the remaining $9m will be used for working capital and investments in the company which remains foreign registered.

Mallory Controls Brasil has annual turnover of $50m and assets of $25m and a monopoly on appliance timers and controls in Brazil.

# Novo plans rights issue

NOVO Nordisk, the Danish bio-group, will launch a DKr1.65bn ($253m) rights issue naxt month, following an increase in pre-tax profits of 18 per cent to DKr354m for the first quarter of 1991, writes Hilary Barnes from Copenhagen.

Sales for the three months rose by 16 per cent to DKr2.2bn and after-tax profits advanced 16 per cent to DKr234m. Earnings per share improved from DKr6.39 to DKr7.41.

Novo says the results were helped by larger volume sales of insulin, growth hormone and gynaecological products. Industrial enzymes also performed strongly.

The planned rights issue is to be a one-for-six in B shares at DKr330 a share.

Novo expects the rate of growth of profits in 1991 to exceed growth in 1990.

Net profits last year expanded by 4.2 per cent to DKr778m.

# KKR's drive to raise $1.5bn in fresh funds ends

By Martin Dickson in New York

KOHLBERG Kravis Roberts (KKR), the most successful US leveraged buy-out specialist of the 1980s, has virtually completed a seven-month drive for fresh funds, raising $1.5bn from investors to help finance deals over the next few years.

The firm told its annual invastors' meeting in New York, which ended yesterday, that its efforts to raise a new pool of between $1bn and $2bn was essentially complate, although more commitments could be made to the fund over the next few weeks.

This boosts its equity pool for deals to around $3bn since it atill has $1.5bn to invest from its previous 1987 fundraising.

The latest drive was a significant test of investors' appetite for the LBO market and for KKR's rola in it, which became particularly controversial after its $26bn hostile takeover of RJR Nabisco in 1989.

The total raised is solidly respectable in a difficult market rather than startling.

However, some long-standing investors in KKR pools, such as the Harvard University endowment fund, declined to put money into this one because of dissatisfaction over the high fees demanded by KKR. It usually charges a 1.5 per cent annual fee for managing money and keeps 20 per cent of any capital gain.

Soma state pension funds have virtually stopped investing in buy-out funds because they are near their limits on this type of investment.

KKR has mada clear to potential investors that future buy-outs in which it participates are likely to involve much more equity, relative to debt, because of the more conservative banking climate of the 1990s.

It has also emphasised that it will be looking at investmants other than buy-outs, inclnding start-up companies, equity stakes in troubled businesses, and minority investments.

Some investors fear that the returns on such investments, and the rednced leverage in buy-outs, may be significantly lower than those they enjoyed during the 1980s bny-out boom.

# Apple Computer sheds 1,500 jobs in shake-up

By Martin Dickson

APPLE Computer, the US personal computer manufacturer, plans to cut its workforce by around 10 per cent, or 1,500 people, as part of a restructuring to slash its operating expenses.

The financial pressures on the company stem both from the downturn in the US economy and a policy Apple implemented last October when it cut the price of its products in a bid to boost market share. The move was extremely successful, with shipments of its Macintosb compnter soaring by 85 per cent in the last quarter, but this in turn has pot pressure on its profit margins.

The company said yesterday that it would cut its workforce by about 10 per cent through both layoffs – which would occur mainly in the current quarter – and attrition. It employs 15,600. All types of employee would be affected.

It would also be taking other sbort and long-term actions over the next 12 months, inclnding relocating and consolidating some functions and reducing management levels.

Mr John Sculley, Apple's chairman, said tha company had to to restructure to match the "economic realities" of its new market share strategy.

Even though sales of its mid-range and high end computers – which provided it with the highest gross margins – had grown somewhat faster than those of the industry, the growth was not enough to offset the impact of the dramatic product mix shift towards its low end models.

Mr Sculley added that the strengthening dollar had also put pressure on the company's overseas earnings. The costs of restructuring will be charged against profits in the third quarter, which ends on June 28.

Stagnant sales and a price war are hitting the earnings of US personal computer manufacturers in general. Last week Compaq Computer, another of the sector's leaders, shocked Wall Street when it said it expected a decline in sales and earnings in the current quarter.

# Cummins slices dividend with outlook warning

By Nikki Tait in New York

CUMMINS ENGINE, one of the world's leading diesel engine makers, yesterday cut its quarterly dividend from 55 cents a share to 5 cents a share, warning that it sees nothing to indicate that a recovery in economic conditions is underway.

"Despite the resolntion of the Persian Gulf situation, there is great uncertainty about the extent and duration of the recession," said Mr Henry Schacht, chairman.

Cummins had already delayed its dividend decision last month, saying that it hoped to have a clearer picture of when the economy might start to improve by waiting a few weeks.

But yesterday Mr Schacht commented that: "While we are benefiting from our cost-reduction efforts and the continued growth of our mid-range engine business, we see nothing to indicata that a recovery might be in sight."

Cummins added that it expected to report a loss in the second quarter, but that this should be smaller than the operating loss of $34.3m seen in the first three months of 1991.

# Dayton Hudson earnings suffer from UK acquisition's dilution

By Nikki Tait

DAYTON HUDSON, one of the five largest US retailers, yesterday reported a slump in first-quarter profits, to $34m after tax compared with $60m in the same period a year ago.

Earnings, on a fully-diluted basis, fell from 73 cents a share to 39 cents – with the acquisition of the Marshall Fields chain, from Britain's BAT Industries last June – continuing to have a dilutiva effect. Dayton said tbis factor knocksd about 15 cents off earnings, while a further 10 cents related to the employee stock-ownership plan.

Dayton Hudson confirmed it expected a "very difficult" first half, and said the "soft economy" in California was proving particularly painful. The company's derives about a third of its business from this state.

Dayton's sales in the first-quarter – which ended on May 4 – totalled $3.35bn, compared with $3bn a year ago. However, the advance came largely from new selling space and acquisitions. On a comparable store basis, sales increased by only 1 per cent.

On an operating profit basis, Dayton's Target chain made a lower contribution, as margins ebbed, while Mervyn's reported s slightly improved result.

Operating profit in tbe department store division declined.

However, in spite of the weak results, Dayton shares – which have been strong recently – were $1⅝ higher at $72¾ before the close in New York yesterday.

# Quebecor hit by publishing blow

By Robert Gibbens in Montreal

QUEBECOR, North America's second largest commercial printer, took a severe blow from its forest products and publishing subsidiaries in the first quarter.

Qnebecor, controlled by Montreal publisher Mr Pierre Peladeau, has British publisher Mr Robert Maxwell as a partner in some of its North American printing and forest products businesses.

Overall, Quabecor reported earnings of C$2.3m, or 10 cents a share, against C$4.1m, or 18 cents, excluding special gains, a year earlier.

It attributed the poor performance to beavy declines in advertising in its newspaper and magazine divisions. Also, the pulp and newsprint subsidiaries have seen earnings collapse because of weak demand and prices.

Overall revenues in the first quarter were up 17 per cent to C$573m, tbe increase due mainly to inclusion for a full quarter of US printing plants acquired at the end of February, 1990.

# PacTel sells 25.3% share stake in Microtel to BAe

By Martin Dickson

PACTEL, tbe large US telecommonications company, has sold its 25.3 per cent stake in Microtel, one of three companies set up to provide PCN wireless communications in the UK, to one of its partners, British Aerospace.

Its withdrawal from the market raises questions about PCN's commercial viability.

PCN - it stands for Personal Communications Network - is an idea being developed in Britain wbicb would provide mobile communications in competition with existing cellular telepbone networks.

Proponents say the system could pose a long-term threat to cellular, being cheaper and using more portable telepbones.

However, Mr Lee Cox, president of PacTel, said the company was witbdrawing from the UK because it felt "the investment risk was unacceptable".

Mr Cox said PacTel had withdrawn for two reasons. First, after considerable researcb, it bad concluded that consumers would view PCN as no different from the UK's two existing cellular services. Second, it tbougbt that tbe cost of a UK network would be rather higher than originally estimated.

He argued that these same factors would apply to the US market, where PCN is currently in an experimental phase but seen as a potential long-term threat to parts of the cellular market.

PacTel, which operates cellular systems in six US markets and is investing in Mannesmann Mobilfunk's cellular network in Germany, declined to spell out what it had sold its stake for.

But it said it had received more money than it put into the venture.

Otber partners in Microtel are Millicom, a US company, and Matra of France.

Unconfirmed reports suggest Matra may be reconsidering its investment.

# INTERNATIONAL COMPANIES AND CAPITAL MARKETS

## Component sales keep TDK ahead at Y44.8bn

By Neil Weinberg

PRE-TAX profits of TDK, the world's leading maker of magnetic tapes, edged ahead in the year to the end of March. The company saw profits rise 1.3 per cent to Y44.81bn ($324.3m) on a 9.1 per cent rise in sales to Y413.97bn.

Although operating profits were down 3.4 per cent, a rise in the financial balance more than compensated, TDK said.

Sales were boosted by strong demand for electric components and semicondnctors. Sales for the recording media section, howsver, rose only slightly as domestic tape sales declined.

TDK sees sales rising a further 6.3 per cent to Y440bn, and pre-tax profits 11.6 per cent to Y50bn in the year to the end of March 1992.

Audio tape sales are likely to remain slnggish, while demand grows for electronic parts, inclnding compnter components, the company said.

## Casio 24% up at record Y17.3bn

By Emiko Terazono in Tokyo

CASIO Compnter, the Japanese digital watch-maker, announced a 24.3 per cent rise in unconsolidated pre-tax profits to a record Y17.3bn ($124.46m) for the year to March 1991.

Casio attributed the strong profit gain to an improved cost-to-sales ratio and said overall sales increased 10.2 per cent to Y281.2bn dus to brisk watch sales.

Sales of electronic watches rose 16.6 per cent and slectronic musical instrumsnts increased 13.3 per cent. After-tax profit advanced 25.2 per cent to Y8.3bn.

For the current year, Casio forecast sales to rise 20 per cent to Y330bn on sales of office compnters and liquid crystal screen televisions. Pre-tax profit is projected to increase 20.7 per cent to Y21bn and after-tax profit to Y10.5bn, up 26.3 per cent.

The company expects to spend Y20bn on plant and equipment, a 22 per cent rise on the previous year.

## Video exports help Aiwa result

AIWA, a mid-sized Japanese maker of audio-visual equipment, reported a 23.4 per cent sales rise, helped by video equipment exports to Europe, Sonth America and Asia, writes Neil Weinberg.

Pre-tax profits rose 12.8 per cent to Y3.85bn ($27.69m) in the year to end-March on sales of Y138.30bn. Exports to North America were sluggish, and domestic sales fell 14.8 per cent, the company said.

The Sony snbsidiary also said it would reinstate its Y5.5 per share dividend, which was last paid for the year to end-November 1986.

## Competition and weakened economy hit ICI Australia

By Kevin Brown in Sydney

ICI AUSTRALIA yesterday announced a decline in interim trading profits, reflecting a weak domestic economy and intense competition from imports. Group sales also fell, and the company is to cut its dividend.

Trading profit before abnormal items in the six months to the end of March was down from A$116m (US$90.6m) last year to A$73m. However, consolidated net profit after abnormal items advanced to A$73m from A$44m in the comparable period of last year.

The company predicted "difficult trading conditions" for the second half, but said a strong balance sheet and its restructuring plans would assist profit recovery as business conditions improved.

ICI Australia, 62 per cent owned by the UK group, said it made an abnormal profit of A$74m from the disposal of a 51 per cent interest in Catoleum, a manufacturer of speciality water treatmeut chemicals. This was offset by a provision of A$25m to cover the costs of restructuring. Net profit exclnding abnormal items fell by 46 per cent to A$24m.

Revenue was down 5 per cent to A$1.4bn, reflecting a fall in the sales of all leading business groups, with the exception of explosives. Ths company said the interim dividend would be cut from 18 cents to 5 cents, fully franked.

ICI said that although it had benefited from lower interest rates, savings were largely offset by higher borrowing. Net interest expense of A$37m was only slightly lower than in last year's first half.

The group said it had made a "rigorous" review of the business, and had achieved significant reductions in fixed costs. More savings would accrue from further restructuring.

Although sales of industrial and speciality chemicals were 7 per cent lower, the group said it maintained profits through tight cost control.

Plastics profits continued to decline in the face of weak demand and strong import competition, including "significant dumping," the directors said. However, provisional anti-dnmping dnties were imposed in January on imported polyethylene from 10 countries.

Fertiliser and crop care sales feli 21 per cent, as a result of ths depressed wool market and uncertainties over wheat prodnction. However, the fall in profit was mitigated by firmer prices and substantial cost reductions, the group said.

## Yamaha and Suzuki profits up

YAMAHA Motor, the world's second largest motorcycls maker, reported a sharp increase in profits in the year to the end of March, aided by its diversification moves, writes Neil Weinberg.

Pre-tax profits rose 20.8 per cent to Y8.52bn ($61.29m) for the year to end-March on sales up 9.5 per cent to Y455.56bn.

After-tax profits were up 21.6 per cent to Y3.24bn, following a decline the previous year. The solid psrformance was supported by strong sales of air conditioning equipment, heat pumps and marine products, the company said.

Yamaha's motorcycle sales, which account for 43 per cent of its total sales, declined in its home market. However, diversification efforts paid off, and a sharp rise in sales of boats priced over Y40m helped boost overall domestic marine sales 22.5 per cent.

Air conditioning and related equipment sales rose 55.6 per cent.

The company expects sales to rise 7.7 per cent to Y490bn and pre-tax profits 6.5 per cent to Y9bn in the year to end-March 1992 on continned strong performances by the marine and engine divisions.

● Suzuki Motor, the Japanese small car and motorcycle maker, yesterday reported a 19.9 per cent increase in sales and an 82.8 per cent jump in pre-tax profit for the year to end-March. However, it expects both figures to be flat this year, writes Robert Thomson.

Pre-tax profit was Y28.96bn ($208.34m) and sales totalled Y1,011bn. The strong performance followed poor results in 1989 and 1988.

The company reported positive domestic demand for its four-wheel drive mini-cars, but the Japanese car market has slowed significantly in recent months and Suzuki does not expect sales growth to be maintained.

For the current year, pre-tax profit is predicted to rise marginally to Y29bn on sales up 0.8 per cent to 1,020bn.

The company said depreciation costs are likely to increase sharply this year as it plans to spend Y69bn, up 20.6 per cent, on plant and equipment, with much of the money to be invested in labour-saving technology.

## Koito revenues and pre-tax profits advance by 16%

By Neil Weinberg

KOITO, Japan's leading automotive lighting maker which is closely linked to the Toyota Motor group, reported an increase in pre-tax profits of 16.7 per cent to Y7.42bn ($53.38m) in the year to the end of March. Sales advanced 16.2 per cent to Y143.61bn.

The company has beeu attempting to hold off the Azabu group of stock speculators, which has beeu behind the 26.4 per cent holding accumulated by Mr T. Boone Pickens, the US corporate raider, over the past two years. Although Mr Pickens became Koito's leading shareholder, his efforts to gain representation on the board of directors were consistently rebuffed by management, and he recently announced plans to sell the shares back to Azabu.

Koito expects sales for the year to the end of March 1992 to rise 7.9 per cent to Y155bn.

But pre-tax profits are expected to fall by 8.3 per cent to Y6.8bn due to rising personnel and investment costs.

## Maker of synthetic fibres unveils best-ever figures

KURARAY, an Osaka-based maker of synthetic fibres, unveiled record sales and pre-tax profits in the year to the end of March.

Pre-tax profits surged 43.8 per cent to Y22bn ($158.27m) on sales up 18 per cent from the previous year to Y276.48bn, writes Neil Weinberg.

Sales of mainline textiles and nsw chemical-related products were particularly strong, the company said.

However, fibre demand is expected to slow in the year to the end of March 1992, with total sales up 3.1 per cent to Y285bn and pre-tax profits ahead 4.4 per cent to Y23bn.

## Taiyo Fishery books pre-tax loss of Y6.1bn

By Robert Thomson in Tokyo

TAIYO Fishery, Japan's second largest fishing company, reported a pre-tax loss of Y6.1bn ($43.88m) in the year to ths end of March.

This is a sharp reversal on last year's profit of Y4.6bn, reflecting the serious problems facing the country's fishing industry.

Sales fell 6.7 per cent from a year earlier to Y542.2bn as Taiyo reduced its fleet of trawling ships from 15 to seven and cut its trawling workforce by half.

These moves were part of a reform programme designed to transform the company into a broader-based food producer.

Fishing operations have been depressed by a sharp fall in catches in waters near to Japan and by increased labour costs.

The company has reacted by diversifying into livestock meat processing and the development of other processed foods.

For the current year, Taiyo expects a pre-tax loss of Y4bn, on slightly higher sales of Y550bn.

## Endesa rises after tax to Pta68bn and lifts payout

By Tom Burns in Madrid

ENDESA, Spain's main electricity utility which is 70 per cent state-owned and listed on Wall Street, yesterday reported higher profits for 1990 and said it would pay an increased dividend.

After-tax profits have risen by 15 per cent to Pta68.1bn ($636m) and the company proposes to step up its dividend to Pta109 per share from the Pta100 of 1989.

Mr Feliciano Fuster, chairman, said Endesa had generated a cash flow of Pta144.3bn which had allowed the company to finance investments totalling Pta47.9bn and to reduce its debts by Pta78.6bn.

Endesa, which has made a number of controversial stock acquisitions in rival companies, is at the centre of an reorganisation of the fragmented domestic electricity sector. It caused a stock market sensation in March when it paid Pta40.5bn to acquire 80 per cent of Electra de Viesgo, Spain's ninth-ranked power company.

Mr Fuster said yesterday that Endesa was "continuing to talk" to several utility companies in the private sector which he did not name. But he acknowledged that the pace of the discussions had slowed following a decision by Iberduero and Hidrola, the two biggest private power groups, to join forces.

The merger of Iberduero and Hidrola – into HI Holdings – was widely viewed in Spain as a defence against Mr Fuster's aggressive acquisition strategies. Endesa has around 35 per cent of Spain's electrical production. HI Holdings controls some 30 per cent.

Mr Fuster said Endesa's satisfactory results in 1990 were likely to improve further this year dne to a 6.8 per cent increase in electricity tariffs, an increase in demand that is currently running at 5.4 per cent and to a decline in Spanish interest rates.

## Meiji Milk down despite turnover rise

MEIJI Milk Products, Japan's second largest dairy foods maker, saw pre-tax profits fall in the year to the end of March, but it expects earnings to recover in the current year, writes Neil Weinberg.

The company posted a 13.3 per cent decline in pre-tax profits to Y5.76bn ($41.43m) on sales 3.8 per cent ahead from the previous year to a record-high Y407.1bn.

Taxable profits were hit by mounting debt payments due to the rise in interest rates, over the past year, the company said. The modest sales increase was supported by strong demand for concentrated processed milk and yoghurt, it added.

Meiji expects pre-tax profits to rebound 4.3 per cent to Y6bn in the year to end-March 1992, although they will remain under pressure from increasing personnel and delivery costs. Sales are expected to rise 3.1 per cent to Y420bn.

## Narrow range of trading ahead of $16bn bill auction

By Patrick Harverson in New York and Sara Webb in London

THE US government bond market drifted in a narrow range yesterday morning as dealers and investors nervously awaited the afternoon auction of $16bn worth of 335-day bills.

At midday, the benchmark 30-year Treasury issue was up ⅛ at 98⅛, to yield 8.272 per cent. There was a similar lack of movement at the short end, with the two-year note unchanged at 100⅛, carrying a yield of 6.804 per cent.

Bond dealers reported that activity was again light, with market participants hoping that retail investors would show more interest in the day's bill auction than they did last week in the note and bond sales.

If there is insufficient demand from the retail end of the market, the bill sale could leave dealers in the same situation as last week, carrying large positions of unwanted government paper. This could put further downward pressure on bond prices, and lift yields as the remaining $21bn of Treasury securities are auctioned later in the week.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 09/92 | 103-22 | +02/32 | 10.42 | 10.48 | 10.54 |
| | | 9.000 | 03/00 | 92-28 | +07/32 | 10.24 | 10.29 | 10.14 |
| | | 9.000 | 10/08 | 91-21 | +11/32 | 10.02 | 10.07 | 9.86 |
| US TREASURY * | | 8.600 | 05/01 | 98-14 | +01/32 | 8.08 | 8.16 | 8.08 |
| | | 8.125 | 05/21 | 98-07 | +01/32 | 8.29 | 8.36 | 8.21 |
| JAPAN | No 119 | 4.800 | 6/99 | 88.5019 | -0.068 | 7.03 | 7.07 | 7.00 |
| | No 129 | 6.400 | 03/00 | 98.6011 | +0.028 | 6.61 | 6.64 | 6.72 |
| GERMANY | | 9.000 | 01/01 | 103.8900 | +0.020 | 8.39 | 8.46 | 8.41 |
| FRANCE | BTAN | 9.000 | 05/96 | 100.1960 | -0.002 | 8.92 | 8.98 | 9.06 |
| | OAT | 9.500 | 01/01 | 103.9700 | -0.100 | 8.86 | 8.86 | 8.89 |
| CANADA * | | 9.750 | 06/01 | 101.0500 | +0.300 | 9.58 | 9.69 | 9.97 |
| NETHERLANDS | | 8.650 | 05/01 | 98.1300 | - | 8.62 | 8.65 | 8.60 |
| AUSTRALIA | | 13.000 | 07/00 | 114.5041 | +0.081 | 10.48 | 10.86 | 10.56 |
| BELGIUM | | 10.000 | 08/00 | 104.9996 | +0.050 | 9.16 | 9.36 | 9.57 |

London closing, *denotes New York morning session. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard

Technical Data/ATLAS Price Sources

### GOVERNMENT BONDS

■ SWEDISH government bond prices rose yesterday morning as domestic and foreign buyers flocked to the market in the hope of gaining from falling interest rates. Early gains were overturned, however, as investors took profits and the market fell back in the afternoon. Longer-dated bonds closed lower while shorter-dated bonds were almost unchanged.

This week's strong buying interest in Swedish government bonds follows Sweden's decision on Friday to link the krona to the European Currency Unit. The move is taken as a sign that Swedish interest rates will fall over the next few months. Hopes of lower rates were confirmed yesterday when Sweden's central bank, the Riksbank, said it intended to lower the overnight lending rate from 12 per cent to 11 per cent. It said the average rate of accepted bids for reverse repurchase agreements fell from 12.35 to 11.47 per cent.

Demand at yesterday's auction of SKr5bn of 11 per cent bonds due 1999 was strong, traders said. Total bids amounted to SKr17.87bn and the range of bids – or "tail" – was very narrow. The average accepted yield was 10.404 per cent, but prices fell to give a yield of 10.55 per cent by late afternoon, compared with 10.43 per cent at Monday's close.

■ DENMARK'S central bank said it would cut its two key interest rates by one-half of a percentage point, with effect from today. The key lending rate to banks will be cut from 10 per cent to 9.5 per cent and the rate on banks' deposits from 9.5 per cent to 9 per cent.

Elsewhere in Europe, traders said French government bond prices fell slightly as some investors moved out of the French market to buy Swedish bonds. Hopes of a cut in the interest rate receded yesterday as the Bank of France announced it had left its intervention rate unchanged at 9 per cent at a securities repurchase tender.

■ THE UK government bond market firmed slightly across the range of maturities.

The benchmark 11¾ per cent gilt due 2003/07 rose by ⅛ to yield 10.37 per cent by late afternoon. The yield on the 9 per cent gilt due 2008 slipped from 10.07 to 10.02 per cent.

■ IN JAPAN, concern about oversupply cast a shadow on the government bond market yesterday, although prices closed almost unchanged.

An estimated Y800bn of 10-year JGBs will be auctioned today while a couple of utility companies are also expected to issue perhaps Y100bn in the next few days.

Overnight unsecured call rates were firmer at 8 per cent yesterday, which traders took as a sign that a cut in the Official Discount Rate is unlikely in the immediate future.

## Bond Corp creditors approve swap plan

By Kevin Brown

BOND Corporation's partially-secured creditors yesterday approved a proposed debt-for-equity swap intended to reconstruct the group, formerly Mr Alan Bond's quoted flagship.

Bond Corp said a resolntion approving a scheme of arrangement implementing the swap was approved by holders of 79.35 per cent of the value of debts owed.

The vote, which was delayed because of objections by American Express Bank, clears the way for final approval of the scheme by European bondholders in London and Frankfurt this month.

Bond Corp shareholders approved the scheme in Perth on Monday. The scheme must also be approved by the Western Australian Supreme Court.

### FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on May 21

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABBEY NATIONAL 8 7/8 93 | 150 | [illegible] | [illegible] | | 7.77 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | [illegible] | 104 | | 8.34 |
| AUSTRIA 8 1/2 00 | 400 | [illegible] | [illegible] | | 8.68 |
| BANK OF TOKYO 8 3/8 96 | 100 | 99 | [illegible] | | 8.62 |
| BELGIUM 9 1/8 92 | 400 | [illegible] | [illegible] | [illegible] | 7.62 |
| BFCE 7 3/4 97 | 150 | [illegible] | [illegible] | [illegible] | 8.16 |
| BNP 8 5/8 94 | 300 | 102 | [illegible] | | 7.87 |
| BP CAPITAL 9 5/8 95 | 150 | [illegible] | [illegible] | [illegible] | 7.90 |
| CANADA 9 96 | 1000 | [illegible] | [illegible] | | 8.04 |
| CARCO 9 1/4 96 | 650 | 99 | [illegible] | [illegible] | 9.48 |
| CCCE 9 1/4 93 | 300 | [illegible] | [illegible] | | 8.00 |
| COUNCIL EUROPE 8 96 | 100 | [illegible] | [illegible] | | 8.29 |
| CREDIT FONCIER 9 1/2 99 | 300 | [illegible] | [illegible] | | 8.67 |
| DENMARK 0 98 | 250 | 55 | [illegible] | [illegible] | 8.65 |
| DENMARK 8 1/4 94 | 150 | [illegible] | [illegible] | | 7.82 |
| ECSC 8 1/4 96 | 193 | [illegible] | [illegible] | | 8.20 |
| EEC 7 1/4 93 | 250 | [illegible] | [illegible] | | 7.30 |
| EIB 7 3/4 96 | 250 | [illegible] | [illegible] | | 8.17 |
| EIB 9 1/4 97 | 1000 | [illegible] | [illegible] | [illegible] | 8.51 |
| ELEC DE FRANCE 9 98 | 200 | [illegible] | [illegible] | | 8.49 |
| EUROFIMA 9 1/4 96 | 100 | [illegible] | [illegible] | [illegible] | 8.55 |
| EXPORT DEV CORP 9 1/2 98 | 150 | [illegible] | [illegible] | | 8.62 |
| FINLAND 7 7/8 97 | 200 | [illegible] | [illegible] | [illegible] | 8.63 |
| FINNISH EXPORT 9 3/8 93 | 200 | [illegible] | 104 | | 8.34 |
| FORD MOTOR CREDIT 9 1/2 95 | 300 | [illegible] | [illegible] | | 8.16 |
| GEN ELEC CAPITAL 9 3/8 96 | 300 | [illegible] | 104 | | 8.46 |
| GMAC 9 1/8 96 | 200 | [illegible] | [illegible] | [illegible] | 8.78 |
| HALIFAX 9 1/2 93 | 200 | [illegible] | [illegible] | [illegible] | 7.80 |
| IBM WORLD TRADE 7 5/8 93 | 200 | [illegible] | [illegible] | [illegible] | 7.71 |
| IND BK JAPAN FIN 7 7/8 97 | 200 | [illegible] | [illegible] | [illegible] | 8.59 |
| INTER AMER DEV 7 5/8 96 | 200 | [illegible] | [illegible] | | 8.30 |
| ITALY 8 1/2 94 | 1500 | [illegible] | 102 | [illegible] | 7.87 |
| JAPAN DEV BK 8 94 | 150 | [illegible] | [illegible] | | 7.71 |
| KANSAI ELEC PWR 10 96 | 350 | 105 | [illegible] | [illegible] | 8.68 |
| LTCB 8 5/8 93 | 150 | [illegible] | [illegible] | | 7.75 |
| NEW ZEALAND 8 95 | 100 | [illegible] | [illegible] | [illegible] | 7.72 |
| NIPPON CRED BK 9 3/4 93 | 150 | [illegible] | [illegible] | [illegible] | 7.98 |
| NIPPON TEL & TEL 9 3/8 95 | 200 | [illegible] | [illegible] | [illegible] | 8.05 |
| NORDIC INV BANK 9 93 | 200 | [illegible] | [illegible] | | 7.46 |
| ONTARIO HYDRO 11 5/8 94 | 200 | 108 | [illegible] | [illegible] | 8.18 |
| OSTER KONTROLLBANK 8 1/8 93 | 200 | [illegible] | [illegible] | | 7.34 |
| PETRO-CANADA 7 1/4 96 | 200 | [illegible] | [illegible] | [illegible] | 8.39 |
| PRUDENTIAL RLTY SECS 8 99 | 365.214 | [illegible] | [illegible] | [illegible] | 9.27 |
| QUEBEC HYDRO 9 3/4 95 | 150 | [illegible] | [illegible] | [illegible] | 9.04 |
| QUEBEC PROV 9 98 | 200 | [illegible] | [illegible] | | 8.97 |
| SAINSBURY 9 1/8 96 | 150 | 102 | [illegible] | [illegible] | 8.62 |
| SAS 10 99 | 200 | [illegible] | [illegible] | [illegible] | 10.01 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| BAYERISCHE VEREINSBK INT 7 3/4 LFr | 400 | [illegible] | [illegible] | | 9.55 |
| KREDIETBANK 7 3/4 LFr | 1000 | [illegible] | [illegible] | | 9.65 |
| WORLD BANK 8 96 LFr | 1000 | [illegible] | [illegible] | | 9.14 |
| AMRO BANK 6 1/4 92 Fl | 150 | [illegible] | [illegible] | [illegible] | 9.69 |
| RABOBANK 5 3/4 93 Fl | 150 | [illegible] | [illegible] | [illegible] | 9.22 |
| ALBERTA PROVINCE 10 92 C$ | 500 | [illegible] | [illegible] | | 9.82 |
| BCE INC 9 5/8 95 C$ | 300 | [illegible] | [illegible] | [illegible] | 10.05 |
| BELL CANADA 10 5/8 99 C$ | 150 | [illegible] | [illegible] | [illegible] | 10.64 |
| BRITISH COLUMBIA 9 1/4 93 C$ | 150 | 99 | [illegible] | | 9.84 |
| EIB 10 1/8 95 C$ | 130 | [illegible] | [illegible] | [illegible] | 10.21 |
| FORD CREDIT CANADA 10 94 C$ | 100 | [illegible] | [illegible] | [illegible] | 10.59 |
| GENERAL ELECT CAP 10 1/4 93 C$ | 175 | [illegible] | [illegible] | | 9.86 |
| MONTREAL TRUSTCO 8 1/2 92 C$ | 100 | [illegible] | 99 | [illegible] | 10.44 |
| ONTARIO HYDRO 10 7/8 99 C$ | 300 | [illegible] | [illegible] | | 10.50 |
| QUEBEC PROV 10 1/2 98 C$ | 200 | [illegible] | [illegible] | | 10.60 |
| ROYAL TRUSTCO 10 1/4 93 C$ | 200 | [illegible] | [illegible] | [illegible] | 10.75 |
| SWEDEN 9 3/4 93 C$ | 250 | [illegible] | [illegible] | | 9.52 |
| BELGIUM 9 1/8 96 Ecu | 1250 | [illegible] | [illegible] | | 9.31 |
| CNT 7 3/8 93 Ecu | 250 | [illegible] | [illegible] | [illegible] | 9.90 |
| CREDIT LYONNAIS 9 96 Ecu | 125 | [illegible] | [illegible] | [illegible] | 9.96 |
| DENMARK 7 5/8 96 Ecu | 250 | [illegible] | [illegible] | [illegible] | 10.06 |
| EEC 7 5/8 94 Ecu | 200 | [illegible] | [illegible] | | 9.84 |
| EIB 10 97 Ecu | 1125 | 105 | [illegible] | | 8.88 |
| ITALY 10 3/4 00 Ecu | 1000 | 110 | [illegible] | | 9.06 |
| UNITED KINGDOM 9 1/8 01 Ecu | 2750 | [illegible] | [illegible] | | 8.92 |
| BMW FINANCE 14 1/2 92 A$ | 500 | 102 | [illegible] | [illegible] | 11.99 |
| COUNCIL EUROPE 13 93 A$ | 50 | [illegible] | [illegible] | [illegible] | 12.09 |
| EKSPORTFINANS 12 3/8 95 A$ | 75 | [illegible] | [illegible] | | 11.28 |
| FORD CRED AUST 13 93 A$ | 50 | 101 | [illegible] | [illegible] | 12.27 |
| KI 13 1/2 92 A$ | 100 | [illegible] | [illegible] | [illegible] | 11.47 |
| MCDONALDS CANADA 15 93 A$ | 100 | [illegible] | [illegible] | | 11.88 |
| NAT AUSTRALIA BANK 14 3/4 94 A$ | 150 | [illegible] | [illegible] | | 11.71 |
| STATE BK NSW 14 1/4 99 A$ | 100 | [illegible] | [illegible] | [illegible] | 11.85 |
| VOLKSWAGEN INTL 13 94 A$ | 100 | [illegible] | [illegible] | | 11.74 |
| ABBEY NATL TREAS 13 3/8 95 £ | 100 | [illegible] | [illegible] | | 11.37 |
| BARCLAYS JERSEY 9 1/2 93 £ | 250 | [illegible] | [illegible] | [illegible] | 11.09 |
| BRITISH GAS 12 3/4 95 £ | 300 | 105 | [illegible] | [illegible] | 11.00 |
| DEUTSCHE BK FIN 11 94 £ | 225 | [illegible] | [illegible] | | 10.83 |
| EIB 10 97 £ | 386.5 | [illegible] | [illegible] | | 10.86 |
| FORD CREDIT FUNDING 9 5/8 93 £ | 50 | [illegible] | [illegible] | [illegible] | 12.00 |
| INTER AMER DEV 11 3/8 95 £ | 75 | [illegible] | [illegible] | [illegible] | 10.77 |
| ITALY 10 1/2 14 £ | 400 | [illegible] | [illegible] | [illegible] | 11.30 |
| LAND SECS 9 1/2 07 £ | 200 | [illegible] | [illegible] | [illegible] | 12.98 |
| LEEDS PERMANENT 9 1/4 93 £ | 50 | [illegible] | [illegible] | [illegible] | 12.26 |
| NORWAY 10 1/2 94 £ | 200 | [illegible] | [illegible] | [illegible] | 10.78 |
| ROLLS-ROYCE 9 5/8 93 £ | 150 | [illegible] | [illegible] | | 11.70 |
| SAINSBURY 10 7/8 93 £ | 100 | [illegible] | [illegible] | | 11.32 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| DEUTSCHE MARK STRAIGHTS / SWISS FRANC STRAIGHTS / FLOATING RATE NOTES / CONVERTIBLE BONDS | | | | | |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| YEN STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| AUSTRIA 4 3/4 94 | 30000 | [illegible] | [illegible] | [illegible] | 7.02 |
| CANADA 4 3/8 92 | 80000 | [illegible] | [illegible] | [illegible] | 7.44 |
| CREDIT FONCIER 5 1/4 96 | 20000 | 94 | [illegible] | [illegible] | 7.19 |
| DENMARK 7 95 | 40000 | [illegible] | [illegible] | [illegible] | 6.95 |
| EIB 4 5/8 94 | 40000 | [illegible] | [illegible] | [illegible] | 6.99 |
| GENERAL ELECTRIC 5 3/4 95 | 35000 | [illegible] | [illegible] | [illegible] | 7.44 |
| INTER AMER DEV 7 1/4 00 | 30000 | [illegible] | [illegible] | [illegible] | 6.81 |
| ITALY 5 3/4 92 | 150000 | 99 | [illegible] | [illegible] | 7.13 |
| KANSAI ELEC PWR 4 5/8 96 | 60000 | [illegible] | [illegible] | [illegible] | 7.30 |
| NIPPON TEL & TEL 5 7/8 96 | 50000 | [illegible] | [illegible] | [illegible] | 6.75 |
| NORWAY 5 1/8 95 | 50000 | [illegible] | [illegible] | [illegible] | 6.90 |
| SWEDEN 5 5/8 95 | 20000 | [illegible] | [illegible] | [illegible] | 6.95 |
| WORLD BANK 6 3/4 00 | 50000 | [illegible] | [illegible] | [illegible] | 6.71 |

| CONVERTIBLE BONDS (continued) | Issued | Cnv. price | Bid | Offer | Prem |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GOODYEAR TIRE 6 7/8 03 | 150 | [illegible] | [illegible] | [illegible] | [illegible] |
| GRACE (WR) 6 1/4 02 | 150 | [illegible] | [illegible] | [illegible] | [illegible] |
| HANSON 9 1/2 06 £ | 500 | [illegible] | [illegible] | [illegible] | [illegible] |
| HAWLEY 6 02 PREF | 400 | [illegible] | [illegible] | [illegible] | [illegible] |
| HILLSDOWN 4 1/2 02 £ | 150 | [illegible] | [illegible] | [illegible] | [illegible] |
| INTL PAPER 5 3/4 02 | 200 | [illegible] | [illegible] | [illegible] | [illegible] |
| LAND SECS 6 3/4 02 £ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| MITSUBISHI BK 1 3/4 02 | 300 | [illegible] | [illegible] | [illegible] | [illegible] |
| OCDEN 6 02 | [illegible] | [illegible] | 70 | 71 | [illegible] |
| PACIFIC DUNLOP 6 3/4 97 | 75 | [illegible] | [illegible] | [illegible] | [illegible] |
| TEXAS INSTRUMENTS 2 3/4 02 | 309 | [illegible] | [illegible] | [illegible] | [illegible] |
| THORN EMI 5 3/4 04 £ | 105 | [illegible] | 112 | [illegible] | [illegible] |

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

# INTERNATIONAL CAPITAL MARKETS

## New issues by corporations move back to centre stage

By Simon London

NEW issues by corporations took centre stage in the international bond market yesterday, underlining that the recent domination of sovereign and supranational borrowers is waning and that retail investors are revisiting the market.

Toyota chose to borrow in sterling for the first time since 1988, giving Nomura the opportunity to become the first Japanese firm to lead manage a transaction in this sector. The Bank of England ruled this year that Japanese firms could lead manage sterling bond issues for Japanese borrowers.

The £100m three-year deal carries an 11 per cent coupon and was priced to yield 53 basis points more than the 10 per cent UK government bond maturing 1994. The paper was re-offered to investors at the fixed price of 99.90 but traded up to par bid when the bonds were freed to trade. At this level the spread over the gilt was 47 basis points.

The only complaint from other participants was that paper was in short supply. Nomura and Warburg Securities, the co-lead manager, had pre-placed over 80 per cent of it leaving only small £2m allocations for other firms.

Motor industry rival Ford tested the appetite of European retail investors for high yielding Ecu-denominated securities, raising Ecu125m in a deal lead managed by Deutsche Bank Capital Markets.

The five-year paper was re-offered to investors at a fixed price of 99.45 where the yield is 9.84 per cent. This compares to 9 per cent yields available on sovereign five-year paper in the secondary market.

The deal is unlikely to be actively traded in the secondary market, and the higher yield incorporates something of an illiquidity premium.

The large group of 50 banks syndicating the bonds underlined that the deal was aimed at retail investors. However, as a single-A rated corporation, Ford is breaking new ground

### INTERNATIONAL BONDS

in the Ecu sector, which has tended to focus on issues by supranational borrowers.

Also in the Ecu sector, Eurofima added Ecu60m to its Ecu125m 8⅝ per cent deal maturing 1999. Lead manager UBS Phillips & Drew reoffered new paper to investors at the fixed price of 98, where the yield is 8.96 per cent. The pricing was seen as tight, given that this fungible tranche is unlikely to improve the liquidity of the issue as a whole.

In the Eurodollar sector, Du Pont, the US industrial group, came with a $300m seven-year deal lead managed by Credit Suisse First Boston. The deal was priced to yield 47.5 basis points more than comparable US Treasury securities.

A $250m five-year deal launched by the borrower at the end of March was yesterday trading at a spread of 40 basis points over Treasuries. The additional yield spread offered on yesterday's issue compensates for the additional duration of the bonds.

However, many retail investors have been shy of buying bonds with a maturity of more than five years. Where the Ford issue tested the willingness of retail investors to accept lower credit quality in the Ecu sector, Du Pont tested the willingness of investors to extend the duration of their Eurodollar portfolios.

The lead manager and Swiss Bank Corporation, the co-lead manager, placed over 80 per cent of the deal. The bonds traded up to 99.40 bid, against a fixed reoffer price of 99.35.

Japan Highway launched its expected $300m 10-year deal, lead managed by IBJ, at a spread of 45 basis points over US Treasuries.

The deal sold well to institutional investors starved of top quality dollar paper in recent weeks. The borrower carries the guarantee of the Japanese government. The bonds were reoffered to investors at the fixed price of 99.34 but traded up to 99.40 bid, where the spread over US Treasuries remained 45 basis points.

Syndicate managers said the biggest barrier to further Eurodollar bond issues remained the paucity of interest rate swaps opportunities, which is discouraging borrowers from tapping the market.

## Citicorp to sell London insurance broker side

By David Lascelles
Banking Editor

CITICORP has agreed to sell its London-based insurance broking interests to a group of management and institutional investors for an undisclosed sum.

The business, to be known as Nelson Hurst Group Limited, is among the largest Lloyd's brokers with 700 staff and representation in 18 countries. It specialises in indemnity, aviation and marine insurance. Citicorp will continue to use Nelson Hurst for its own insurance needs.

Mr David Woodward, chief executive of Nelson Hurst, said management was unanimous in its support for the deal. The company planned to build on its reputation as one of the leading London specialist brokers.

It would continue to use the Citicorp name in Latin America and Asia.

The buy-out group was advised by Botts & Co, a corporate finance house headed by Mr John Botts, a former Citicorp executive.

Finance for the deal was supplied by NatWest, Bank of Scotland and Advent International.

Citicorp has embarked on a programme of sales of non-essential businesses in order to raise additional capital and reinforce its balance sheet in a period of severe loan losses. Its other planned disposals include a stake in Ambac, its municipal bond insurance subsidiary.

However, the group stressed yesterday that this latest sale would not affect its worldwide life insurance business, or its provision of banking services to the insurance industry.

Citicorp had singled out insurance as an area for expansion in the UK during the 1980s.

It acquired the insurance broking interests of Grindlays Bank in 1984 and doubled the size of the business with the purchase of Nelson Hurst and Marsh in 1989.

Citicorp said yesterday that the broking business continued to grow, with revenue to date in 1991 ahead of the same period last year.

## An open season for convertibles

By Stephen Fidler, Euromarkets Correspondent

THE boom in issuance of convertible bonds looks set to continue. According to securities houses in London, the ground is being prepared for further sizeable issues for European companies – including at least one from the UK – over the next week or so.

If such convertibles do

### INTERNATIONAL EQUITY ISSUES

indeed emerge, they will come as the appetite for new issues of straight equity appears to be slowing modestly and underwriters are seeing signs of increased selectivity. Underlying stock markets are taking a breather, while the cash positions of investment institutions in the UK and elsewhere have been run down following a spate of rights issues.

Against this background, companies and their advisers may well see advantage in issuing convertibles, which are usually viewed by investors as a more defensive investment than straight equity and one which assures better short-term returns.

In continental Europe, this is also the season for convertibles, which often follow annual meetings at which shareholders give authorisations to raise more capital.

In the meantime, convertible issues continue for companies in the third world, which are benefiting from a growing interest in emerging markets. Already this week, news emerged of a $100m convertible for Indocement – lead managed by Goldman Sachs – one of Indonesia's largest companies, and of a $30m deal for Trigem Computers of South Korea, lead managed by Nomura Securities.

There was also a $50m placing by Bear Stearns of convertible subordinated debentures for Apasco, the Mexican cement producer, in the international market and in the US under the new private placement rule 144a. However, the International Finance Corporation – the private sector arm of the World Bank – took 40 per cent of this deal for its own books.

While the instruments work in the same way, buying convertibles of companies in emerging markets is often made for different reasons than buying convertibles of a European or American company.

In markets like Korea, closed to the outside world, a convertible is often the only way – apart from the country funds – to buy into an emerging market. Even in countries such as Indonesia, where the markets are open to foreigners, a convertible avoids the settlement problems which plague underdeveloped markets since the convertibles are cleared through the Eurobond clearing houses, Cedel and Euroclear. Liquidity is often better than in the underlying stock.

Since convertibles are denominated in dollars, there is also some protection against the devaluation of the local currency – although if the devaluation goes too far that protection may prove illusory since the company may find it difficult to service its foreign currency debt.

The Indocement issue, which carries an indicated coupon of 6¾ to 7 per cent, is the fourth Indonesia convertible to come to the international market, bringing to $360m the total of such issues by Indonesian companies. Morgan Stanley launched the first such deal for PT Astra in March, at $125m. Two other issues – for Intl Indorayon ($60m) and Tjiwa Kimia ($75m) – followed.

According to research from Morgan Stanley, the attraction of dollar denominated convertibles for Indonesian companies is both the high cost of domestic borrowing – high interest rates are one factor holding back the stock market in the near term – and the ease of access to foreign investors who already make up a large part of the Indonesian market.

## Preussag to borrow DM500m

By Stephen Fidler, Euromarkets Correspondent

THE TERMS of a DM500m five-year credit for Preussag, the German heavy engineering company, were disclosed yesterday.

The revolving credit, being arranged by Westdeutsche Landesbank, carries a 25 basis point (0.25 percentage point) interest margin over London interbank offered rates. The facility fee, whether the loan is drawn or not, is 16¼ basis points. West LB described the loan as a "club" transaction in which a relatively small group of banks with relationships to the borrower will be invited. Front-end fees range downwards from 20 basis points for banks that commit DM40m.

Although German banks can be expected to dominate this transaction, Preussag's decision to tap the international banking market for credit is part of a trend which German bankers see as growing. Over the past year, Volkswagen, BMW, Thyssen and Continental, the tyre-maker, have all used the international syndicated loans market to raise funds. Bankers say more German companies are certain to follow, some this year.

As a group, many German companies have been in the past either flush with cash and not needing to borrow or highly dependent on a single house bank. However, some companies now need funds, for example, for investment in eastern Germany. With demand for funds at home very heavy, they are likely use the international market.

## Hungarian travel agency posts 43% fall

By Nicholas Denton in Budapest

IBUSZ, the Hungarian national travel agency, has unveiled a 43.4 per cent drop in post-tax profits to Ft307m ($4.03m) in 1990, reinforcing poor market sentiment towards the stock of eastern Europe's first public company. Turnover was largely unchanged at Ft9,658m, representing a substantial real decline.

"It was a terrible year and we were really happy to have this profit," Mrs Erika Szemenkar, chairman and chief executive, said yesterday.

The financial results were in line with market expectations, and Ibusz shares closed at Ft4,900 yesterday, little altered on last week and exactly the level at which Ibusz shares were issued in June 1990 when the company was partially privatised. The price briefly touched Ft12,500 after last year's heavily oversubscribed public offering.

Stock analysts feel that many disappointed investors who bought on the secondary market are looking to cut their losses and will sell if the price shows signs of a rise.

Poor sentiment in Budapest and Vienna, the two exchanges on which Ibusz is traded, is likely to delay the sale of the remaining 60 per cent of Ibusz.

## Hongkong power group launches HK$1.5bn loan

HONGKONG Electric Holdings has borrowed HK$1.5bn in its first-ever syndicated loan, which was launched yesterday, Reuter reports from Hong Kong.

The loan is divided into two tranches. A HK$1bn tranche carries maturity of seven years with an interest rate of 48 basis points over Hongkong Interbank Offered Rate (Hibor) for the first three years and 58 basis points over Hibor for the remaining four years. It is being arranged by IBJ Asia.

It will be repaid in a lump sum on the maturity day.

A second HK$500m tranche is of seven years maturity with a put option and call option after five years. Its interest rate is 58 basis points over Hibor.

The commitment fee is 0.25 percentage points annually.

Other arrangers of the loan were Banque Indosuez Hong Kong branch, Barclays Bank, BCOM Finance (Hong Kong), and the Mitsubishi Bank. About 16 to 20 banks are expected to join the loan, which is scheduled to be closed on June 5, 1991, IBJ said.

## NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Japan Highway Public Corp(a)† | 300 | 8⅝ | 99.34 | 2001 | 32.5/12.5bp | IBJ Int. |
| E.I. Du Pont d'Nemours(a)† | 300 | 8½ | 100.90 | 1998 | 1⅞/1.875 | CSFB |
| **STERLING** | | | | | | |
| Toyota Motor Fin.BV(a)† | 100 | 11 | 101.0875 | 1994 | 1⅜/1.275 | Nomura Int. |
| **ECUs** | | | | | | |
| Ford Motor Credit Co.(a)† | 125 | 9½ | 101 | 1996 | 1⅞/1¼ | Deutsche Bk Cap.Mkts. |
| Eurofima(b)† | 60 | 8⅝ | 98 | 1999 | 32.5/12.5bp | UBS Phillips & Drew |
| **D-MARKS** | | | | | | |
| Italstat(a)† | 300 | 8¾ | 100⅛ | 2001 | 2½/1½ | WestLB |
| **NEW ZEALAND DOLLARS** | | | | | | |
| State Bk of NSW(a)† | 50 | 10 | 101.30 | 1997 | 2/1½ | Hambros Bank |
| **YEN** | | | | | | |
| Toronto Dom.Bk (Cay.Is.)(c)† | 10bn | e | 101⅛ | 1993 | 1⅛/⅝ | Nippon Credit Int. |
| Postipankki(c)† | 3.5bn | (d) | 101⅛ | 1992 | 1⅛/⅝ | New Japan Secs. |
| **LUXEMBOURG FRANCS** | | | | | | |
| Eurofima(e)† | 2bn | 9 | 102 | 2001 | 1⅞/1⅟₁₆ | BCEE |

★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing Ecu125m deal. Non-callable. c) Nikkei-linked issue. Non-callable. d) Coupon pays 3-month Libor + ¼% for first 3-months, then fixed at 13.8% thereafter. e) Callable in 1998 at 100½% and 2000 at 100¼%.

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

| | | Tuesday May 21 1991 | | | | | | Mon May 20 | Fri May 17 | Thu May 16 | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%)) | Est. P/E Ratio (Net) | xd adj. 1991 to date | Index No. | Index No. | Index No. | Index No. |
| 1 | CAPITAL GOODS (186) | 828.40 | +0.5 | 11.27 | 5.87 | 10.88 | 15.76 | 826.29 | 824.48 | 831.36 | 878.99 |
| 2 | Building Materials (24) | 1081.37 | -0.1 | 10.69 | 5.73 | 11.50 | 22.01 | 1082.91 | 1082.86 | 1100.37 | 1100.42 |
| 3 | Contracting, Construction (31) | 1319.30 | -0.5 | 9.22 | 6.11 | 14.22 | 30.61 | 1325.48 | 1324.76 | 1329.11 | 1364.90 |
| 4 | Electricals (10) | 2356.25 | -0.1 | 11.16 | 5.68 | 11.41 | 61.85 | 2359.74 | 2355.37 | 2359.43 | 2511.17 |
| 5 | Electronics (25) | 1768.13 | +1.1 | 8.86 | 5.07 | 15.03 | 7.81 | 1748.76 | 1736.59 | 1745.77 | 1872.87 |
| 6 | Engineering-Aerospace (8) | 427.82 | -0.1 | 16.31 | 5.85 | 7.37 | 10.60 | 428.45 | 428.09 | 434.77 | 473.47 |
| 7 | Engineering-General (47) | 437.07 | +0.5 | 12.81 | 6.01 | 9.44 | 8.43 | 435.73 | 435.89 | 436.87 | 477.04 |
| 8 | Metals and Metal Forming (8) | 446.34 | -0.5 | 20.02 | 7.73 | 6.16 | 2.31 | 447.84 | 448.93 | 451.68 | 488.70 |
| 9 | Motors (13) | 325.42 | +1.0 | 12.42 | 7.47 | 9.51 | 9.89 | 322.27 | 321.25 | 324.30 | 347.20 |
| 10 | Other Industrial Materials (20) | 1482.95 | +0.5 | 9.56 | 5.48 | 12.31 | 31.84 | 1474.88 | 1468.29 | 1479.66 | 1604.60 |
| 21 | CONSUMER GROUP (188) | 1449.34 | +0.5 | 8.26 | 3.73 | 14.92 | 18.58 | 1441.96 | 1439.32 | 1443.52 | 1270.78 |
| 22 | Brewers and Distillers (22) | 1806.31 | +0.5 | 8.57 | 3.64 | 14.30 | 21.60 | 1797.16 | 1795.90 | 1808.43 | 1505.32 |
| 25 | Food Manufacturing (20) | 1162.27 | +0.8 | 9.92 | 4.23 | 12.43 | 18.39 | 1153.26 | 1150.65 | 1159.18 | 1086.42 |
| 26 | Food Retailing (16) | 2763.53 | +0.9 | 7.90 | 3.03 | 16.54 | 30.32 | 2737.94 | 2752.11 | 2733.76 | 2419.20 |
| 27 | Health and Household (21) | 3259.81 | -0.1 | 5.89 | 2.64 | 19.39 | 29.05 | 3262.37 | 3220.17 | 3200.34 | 2631.59 |
| 29 | Hotels and Leisure (23) | 1311.27 | ---- | 10.33 | 5.22 | 11.42 | 23.57 | 1311.50 | 1312.11 | 1314.94 | 1409.95 |
| 30 | Media (26) | 1443.33 | +0.2 | 9.48 | 4.83 | 13.44 | 22.11 | 1440.87 | 1442.68 | 1454.74 | 0.00 |
| 31 | Packaging, Paper & Printing (17) | 668.26 | +1.5 | 8.11 | 4.92 | 15.45 | 11.81 | 658.11 | 658.59 | 666.26 | 576.52 |
| 34 | Stores (33) | 902.90 | +1.2 | 8.82 | 4.04 | 14.82 | 12.50 | 892.17 | 897.86 | 908.82 | 785.14 |
| 35 | Textiles (10) | 534.96 | +0.4 | 10.37 | 5.84 | 11.92 | 9.55 | 532.72 | 536.10 | 537.14 | 492.65 |
| 40 | OTHER GROUPS (107) | 1228.91 | +0.7 | 9.60 | 4.94 | 12.80 | 11.16 | 1220.05 | 1213.05 | 1222.42 | 1149.82 |
| 41 | Business Services (12) | 1231.97 | +0.9 | 10.76 | 5.29 | 11.41 | 13.23 | 1220.92 | 1212.02 | 1216.05 | 0.00 |
| 42 | Chemicals (21) | 1340.73 | +0.1 | 8.60 | 5.34 | 13.39 | 28.71 | 1339.00 | 1353.46 | 1373.52 | 1256.36 |
| 43 | Conglomerates (10) | 1486.39 | ---- | 10.25 | 6.99 | 11.77 | 17.49 | 1486.77 | 1484.20 | 1510.30 | 1624.44 |
| 44 | Transport (14) | 2210.56 | +0.9 | 11.14 | 4.67 | 11.08 | 26.91 | 2190.93 | 2196.27 | 2211.81 | 2231.09 |
| 45 | Electricity (14) | 1248.74 | +3.0 | 11.10 | 5.34 | 11.29 | 0.00 | 1212.91 | 1202.87 | 1208.19 | 0.00 |
| 46 | Telephone Networks (4) | 1459.90 | +0.5 | 9.09 | 3.42 | 14.31 | 0.00 | 1452.45 | 1432.52 | 1440.13 | 1160.00 |
| 47 | Water (10) | 2464.13 | +0.7 | 13.76 | 5.69 | 8.12 | 39.69 | 2445.95 | 2448.83 | 2473.72 | 1955.71 |
| 48 | Miscellaneous (22) | 1884.75 | +0.6 | 6.24 | 4.96 | 20.49 | 22.21 | 1872.93 | 1840.36 | 1837.13 | 1732.59 |
| 49 | INDUSTRIAL GROUP (481) | 1229.53 | +0.5 | 9.29 | 4.55 | 13.23 | 15.77 | 1223.05 | 1219.17 | 1225.94 | 1148.54 |
| 51 | Oil & Gas (19) | 2368.22 | +0.8 | 10.63 | 5.62 | 12.25 | 50.59 | 2348.53 | 2324.81 | 2340.48 | 2314.48 |
| 59 | 500 SHARE INDEX (500) | 1326.46 | +0.6 | 9.46 | 4.69 | 13.10 | 18.51 | 1318.95 | 1313.60 | 1321.09 | 1245.98 |
| 61 | FINANCIAL GROUP (97) | 799.97 | +0.5 | – | 5.92 | – | 18.07 | 796.10 | 795.33 | 806.22 | 795.99 |
| 62 | Banks (9) | 887.57 | +0.8 | 7.77 | 6.24 | 18.66 | 22.63 | 880.13 | 881.61 | 898.20 | 847.58 |
| 65 | Insurance (Life) (7) | 1464.20 | +0.2 | – | 5.65 | – | 41.64 | 1460.85 | 1461.37 | 1478.90 | 1377.24 |
| 66 | Insurance (Composite) (6) | 675.53 | +0.5 | – | 6.49 | – | 20.23 | 672.41 | 669.32 | 675.64 | 676.60 |
| 67 | Insurance (Brokers) (8) | 1091.44 | +0.8 | 7.23 | 6.16 | 18.01 | 21.24 | 1082.36 | 1076.92 | 1098.37 | 1067.54 |
| 68 | Merchant Banks (7) | 423.91 | -0.6 | – | 4.78 | – | 4.47 | 426.26 | 426.48 | 429.77 | 439.53 |
| 69 | Property (40) | 983.47 | +0.1 | 6.54 | 4.79 | 20.98 | 7.90 | 982.38 | 977.31 | 986.45 | 1086.01 |
| 70 | Other Financial (20) | 284.52 | ---- | 9.23 | 6.35 | 13.46 | 4.75 | 284.99 | 285.27 | 286.30 | 310.67 |
| 71 | Investment Trusts (70) | 1211.29 | +0.6 | – | 3.46 | – | 15.60 | 1203.50 | 1198.71 | 1205.86 | 1199.85 |
| 99 | ALL-SHARE INDEX (667) | 1199.03 | +0.6 | – | 4.82 | – | 18.11 | 1192.35 | 1188.02 | 1196.09 | 1137.50 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | May 20 | May 17 | May 16 | May 15 | May 14 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX♦ | 2482.7 | +16.1 | 2482.7 | 2471.5 | 2466.6 | 2453.9 | 2471.9 | 2459.4 | 2463.7 | 2311.3 |

### FIXED INTEREST

| | PRICE INDICES | Tue May 21 | Day's change % | Mon May 20 | Accrued interest | xd adj. 1991 to date |
|---|---|---|---|---|---|---|
| | **British Government** | | | | | |
| 1 | Up to 5 years (28) | 121.34 | +0.11 | 121.20 | 2.08 | 4.29 |
| 2 | 5-15 years (29) | 130.65 | +0.28 | 130.28 | 2.40 | 5.15 |
| 3 | Over 15 years (8) | 137.11 | +0.40 | 136.56 | 1.98 | 5.02 |
| 4 | Irredeemables (6) | 149.36 | +0.26 | 148.97 | 0.82 | 6.11 |
| 5 | All stocks (70) | 129.90 | +0.23 | 129.59 | 2.26 | 4.92 |
| | **Index-Linked** | | | | | |
| 6 | Up to 5 years (1) | 158.84 | ---- | 158.83 | 0.06 | 2.72 |
| 7 | Over 5 years (10) | 147.05 | +0.13 | 146.85 | 0.92 | 1.52 |
| 8 | All stocks (11) | 147.94 | +0.13 | 147.75 | 0.90 | 1.56 |
| 9 | Debs & Loans (56) | 109.38 | +0.02 | 109.36 | 1.96 | 4.30 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Tue May 21 | Mon May 20 | Year ago (approx.) |
|---|---|---|---|---|---|
| | **British Government** | | | | |
| 1 | Low | 5 years | 9.14 | 9.16 | 11.21 |
| 2 | Coupons | 15 years | 9.74 | 9.80 | 10.82 |
| 3 | (0%-7¾%) | 20 years | 9.90 | 9.95 | 10.72 |
| 4 | Medium | 5 years | 10.33 | 10.38 | 12.17 |
| 5 | Coupons | 15 years | 10.21 | 10.26 | 11.33 |
| 6 | (8%-10¾%) | 20 years | 10.14 | 10.18 | 10.94 |
| 7 | High | 5 years | 10.51 | 10.55 | 12.29 |
| 8 | Coupons | 15 years | 10.38 | 10.42 | 11.60 |
| 9 | (11%-) | 20 years | 10.27 | 10.31 | 11.21 |
| 10 | Irredeemables | | 10.19 | 10.22 | 10.76 |
| | **Index-Linked** | | | | |
| 11 | Inflation rate 5% | Up to 5yrs | 4.13 | 4.12 | 5.15 |
| 12 | Inflation rate 5% | Over 5 yrs | 4.22 | 4.23 | 4.12 |
| 13 | Inflation rate 10% | Up to 5 yrs | 3.20 | 3.19 | 4.06 |
| 14 | Inflation rate 10% | Over 5 yrs | 4.02 | 4.03 | 3.93 |
| 15 | Debs & | 5 years | 11.88 | 11.87 | 14.78 |
| 16 | Loans | 15 years | 11.65 | 11.65 | 13.47 |
| 17 | | 25 years | 11.45 | 11.45 | 13.07 |

♦Opening index 2471.5; 9 am 2475.1; 10 am 2480.1; 11 am 2479.5; Noon 2475.6; 1 pm 2474.5; 2 pm 2471.9; 2.30 pm 2473.0; 3 pm 2474.7; 4.10 pm 2480.2; (a) 4.29pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323. CONSTITUENT CHANGES: Robertson Group (41) has been deleted and replaced by Stan-Pits Group (31).

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 78 | 1 | 5 |
| Corporations, Dominion and Foreign Bonds | 4 | 1 | 15 |
| Industrials | 274 | 264 | 991 |
| Financial and Properties | 126 | 110 | 504 |
| Oils | 15 | 25 | 53 |
| Plantations | 1 | 0 | 9 |
| Mines | 36 | 46 | 81 |
| Others | 20 | 65 | 86 |
| Totals | 554 | 512 | 1,744 |

### LONDON RECENT ISSUES

#### EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1991 High | 1991 Low | Stock | Closing Price p | + or - | Net Div. | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | | |

#### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1991 High | 1991 Low | Stock | Closing Price £ | + or - |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

#### RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1991 High | 1991 Low | Stock | Closing Price p | + or - |
|---|---|---|---|---|---|---|---|
| 97 | Nil | – | 6pm | 3pm | ♦Allied Leisure 5p | 4pm | |
| 250 | Nil | – | 42pm | 38pm | Argyll Group | 41pm | |
| 112 | Nil | – | 13pm | 10pm | BBA Group | 11½pm | -1½ |
| 87 | Nil | – | 25pm | 17pm | Bank of Scotland | 23pm | |
| 132 | Nil | – | 16½pm | 13pm | Bibby (J) 50p | 13½pm | |
| e | Nil | – | 3pm | 1pm | ♦Bioplan Hldgs. 1p | 1pm | |
| 90 | Nil | – | 7pm | 4pm | Cannon Street Invs. 20p | 5pm | |
| 13 | Nil | – | ¾pm | ¼pm | ♦Cooper Clarke | ¾pm | |
| 55 | Nil | – | 3pm | 3pm | Condes Property 20p | 3pm | |
| 44 | Nil | – | 2½pm | 1¼pm | Gelenet Nielson 10p | 1¼pm | |
| 33 | Nil | – | 7pm | ¾pm | Xonick 10p | 2½pm | +1½ |
| 130 | Nil | – | 43pm | 26pm | Lloyds Chemists 5p | 26pm | -2 |
| 130 | Nil | – | ¾pm | ¼pm | Lovell (Y.J.) | ¼pm | |
| 225 | Nil | – | 41pm | 21pm | McAlpine (Alfred) | 40pm | -1 |
| 6 | Nil | – | 2½pm | 1½pm | Porth Group 5p | 2pm | |
| 75 | Nil | – | 15pm | 5pm | Prestac 5p | 6pm | +1 |
| 72 | Nil | – | 10pm | 8pm | ♦Synapse Comptrs. Servs 5p | 8pm | |
| 140 | Nil | – | 20pm | 11pm | T & N £1 | 11pm | |
| 200 | Nil | – | 38pm | 26pm | Taylor Woodrow | 37pm | +2 |

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

### TRADITIONAL OPTIONS

- First Dealings May 7
- Last Dealings May 24
- Last Declarations August 8
- For settlement August 19

For rate indications see end of London Share Service

Calls in Atlantic Res., Berisford Intl., Blacks Leis., Egerton Trust, Hillsdown, Premier Cons. and Severn Trent. Puts and calls in Oliver Res. and Premier Cons.

### LONDON TRADED OPTIONS

| Option | | Calls Jul | Calls Oct | Calls Jan | Puts Jul | Puts Oct | Puts Jan |
|---|---|---|---|---|---|---|---|
| AIM Lyons (*568) | 500 | 78 | 98 | 105 | 4 | 12 | 17 |
| | 550 | 42 | 63 | 74 | 10 | 27 | 31 |
| | 600 | 18 | 37 | 50 | 40 | 32 | 57 |
| ASDA | 100 | 15 | 16 | 20 | 2 | 4 | 6 |
| Utd. Biscuits (*370) | 360 | 25 | 35 | 43 | 8 | 14 | 17 |
| | 390 | 9½ | 19 | 28 | 24 | 29 | 32 |
| Unilever (*735) | 700 | 53 | 77 | 98 | 8 | 14 | 19 |
| | 750 | 22 | 40 | 60 | 30 | 35 | 42 |
| Blue Circle (*248) | 240 | 16 | 26 | 32 | 6 | 13 | 16 |
| | 260 | 7 | 13 | 22 | 17 | 23 | 27 |
| British Gas (*246) | 240 | 12 | 15½ | 22 | 4 | 11 | 14 |
| | 260 | 3½ | 6½ | 13 | 16 | 25 | 26 |
| [illegible] | | | | | | | |
| M & S (*255) | 240 | 23 | 32 | 37 | 4½ | 7 | 8½ |
| | 260 | 10 | 18 | 25 | 12 | 14 | 17 |
| Sainsbury (*380) | 360 | 32 | 44 | 32 | 6 | 9½ | 13 |
| | 390 | 11½ | 26 | 34 | 18 | 21 | 24 |
| Shell Trans. (*513) | 500 | 33 | 45 | 55 | 13 | 21 | 24 |
| | 550 | 18 | 20 | 30 | 42 | 47 | 50 |
| Storehouse (*101) | 100 | 7 | 10½ | 14 | 7 | 8 | 18 |
| | 110 | 3 | 6½ | 9 | 14 | 15 | 16 |
| Trafalgar (*247) | 240 | 19 | 32 | 36 | 8 | 14 | 21 |
| | 260 | 9½ | 21 | 25 | 19 | 25 | 30 |
| STC (*320) | 280 | – | – | – | ¼ | – | – |
| | 300 | – | – | – | ¼ | – | – |

| Option | | Calls Jun | Calls Sep | Calls Dec | Puts Jun | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|---|
| Abbey Nat. (*274) | 260 | 18½ | 26 | 34 | 3 | 8 | 9½ |
| | 280 | 6 | 15 | 25 | 11 | 17 | 19 |
| Amstrad (*67) | 60 | 8 | 13 | 14½ | 1 | 3½ | 4½ |
| | 70 | 3 | 7 | 9 | 5 | 7½ | 9 |
| Barclays (*435) | 420 | 28 | 38 | 48 | 6 | 19 | 26 |
| | 460 | 7 | 19 | 30 | 31 | 42 | 44 |

FT-SE INDEX (*2480)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Aug | 189 | 152 | 117 | 88 | 64 | 46 | 31 | 20 |
| Dec † | – | 232 | – | 168 | – | 113 | – | 75 |
| PUTS | | | | | | | | |
| May | 2½ | 4½ | 13 | 35 | 77 | 126 | 176 | 226 |
| Jun | 12 | 21 | 34 | 57 | 90 | 130 | 180 | 227 |
| Jul | 21 | 31 | 48 | 88 | 98 | 137 | 181 | 230 |
| Aug | 30 | 42 | 58 | 81 | 109 | 143 | 183 | 228 |
| Dec † | – | 70 | – | 112 | – | 160 | – | 240 |

May 21 Total Contracts 25,096
Calls 16,127 Puts 8,969
FT-SE Index Calls 1,702 Puts 2,135
Euro FT-SE Calls 28 Puts 98
*Underlying security price. † Long dated expiry months
Premiums shown are based on offer prices.

# Getty Trust takes 11% stake in Mountleigh

By Vanessa Houlder, Property Correspondent

MR NELSON PELTZ and Mr Peter May, the US entrepreneurs who took the helm at Mountleigh 18 months ago, have sold half their 22 per cent stake in the property company to the Gordon P Getty Family Trust.

The deal was done at 100p per share, which is half the price Mr Peltz and Mr May paid Mr Tony Clegg, the former chairman, in November 1989.

The involvement of the Gordon Getty Trust – one of four trusts set up after the sale of Getty Oil in 1984 – is expected to make new resources available to Mountleigh, which needs funds for the refurbishment of Galerias, its Spanish store chain.

Mountleigh's shares yesterday closed down 4p at 77p, as the deal was seen as a possible precursor of a rights issne. Earlier in the day the shares had risen on hopes that the Gordon Getty Trust stake would be a prelude to a bid.

Mr Clive Strowger, chief executive of Mountleigh, welcomed the "strengthening of the shareholder base". He said: "We are now reviewing our future financing requirements for the development of Galerias, and in the light of the current state of the UK property market.

Mr Peltz said: "The availability of resources which this relationship represents will enable Peter and me, together with the Gordon Getty Trust, to reinforce our substantial commitment to Mountleigh."

Mr Marc Leland, a representativa of the Gordon Getty Trust said: "This investment has been made because of our belief in the value of the assets of Mountleigh and our confidence in the management talents of Messrs Peltz and May and the senior Mountleigh management team."

The deal involved the sale of 23.74m ordinary shares and 2.34m convertible preference shares at 68p.

The Gordon Getty Trust will have two representatives on the board and Mr Marc Leland will be a joint managing director.

A tentative bid approach made by Mountleigh to Fairchild, a US industrial group, collapsed earlier this year.

# Readicut declines 35% to £12.1m

By Michiyo Nakamoto

READICUT International, the specialist textiles group, announced a 35 per cent fall in pre-tax profits in the 12 months to March 31.

The decline from £18.72m to £12.11m reflaeted squeezed profit margins amid continuing gloom on the high street and in tha motor industry.

However, the results were received with relief in the City where many had been prepared for a worse outcome from a company exposed to two of the UK's most depressed markets. The shares rose 3½p to 54½p.

Profits were also hit by the weak dollar and rationalisation costs incurred as the group responded to the deepening UK reeession witb substantial redundancies. The UK workforce was trimmed by 11 per cent bringing redundancy and severanee costs to £1.5m for the year.

The results, which came on lower turnover of £226.47m (£231.36m), ware blamed largely on weakness in the UK economy.

As the trading environment deteriorated, competition intensified to squeeze margins. For example, margins at Drake Fibres, which makes polypropylene staple fibres, fell from 20 per cent to 11 per cent.

Readicut's business with the motor industry was adversely affected by the difficulties faced by several manufacturers in introducing model changes followed by the downturn in UK sales.

A 15 per cent downturn in the domestic carpet market reduced Firth Carpets' contribution from £2.2m to £1m. The demise of Coloroll, bowever, brought increased business to its contract business.

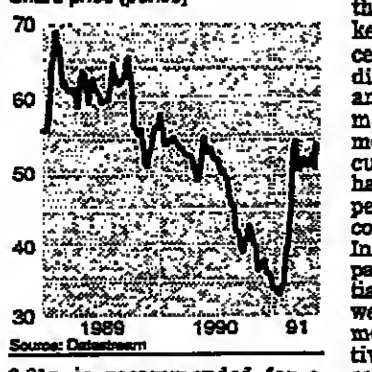
The polypropylene fibres buslness was affeeted by higher polymer prices, which the group could not pass on to customers.

However, the US and Dutch operations put in strong performances while Hoyland Fox, the only UK manufacturer of sport and aun umbrella frames, achieved another record year with profits of £2.5m.

Earnings per share declined to 4.25p (6.49p) while an unchanged final dividend of 2.81p is recommended for a maintained total of 3.44p. Borrowings have been reduced, and with net assets up marginally at £59.64m (£59.32m) gearing is down to 21 per cent from a previous 34 per cent.

**Readicut**

Share price (pence)




Source: Datastream

● **COMMENT**

Readicut's highly conservative attitude and its shrewd handling of the City has won it a few pleasantly surprised fans and a near 7 per cent rise in its share price on the day. Having prepared everyone for the likelihood of a sharp fall in profits, the company drew cheers for keeping the decline to 35 per cent – respectable given the dire economic environment, analysts said. The management deserves to be commended for its debt and cost-cutting measures. Debtors have also been slashed by 12 per cent while stocks have come down nearly 10 per cent. In the medium term the company can expect the substantial benefits of these steps as well as the recent fall in polymer prices. Profits conservatively forecast at £13m give earnings per share of 4.6p and a multiple of 11.8. A cautious management style and tight financial controls, coupled with a yield of 8.4 per cent may be enough to put the shares on something of a premium. Still a UK recovery is not expected until at least the third quarter, which makes the shares more attractive for the income-seeking investor rather than those looking for a riproaring recovery story.

# Willis Corroon to sell UK loss-makers

By Andrew Bolger

WILLIS CORROON, the insurance broking group formed by last year's merger of Willis Faber in the UK with US-based Corroon Black, is to put its loss-making British underwriting businesses up for sale.

Willis Corroon said the UK operations, principally the Sovereign Marine and General Insurance Company, no longer served the needs of the merged group's international broking clients.

Sovereign Marine, whicb writes marine, aviation, transport and non-marine insurance in London, last year earned premiums of £25m but lost £6.3m.

The company and insurance analysts declined to put a price on the businesses, but they are likely to interest companies seeking an underwriting presence in London.

Announcing the planned disposal yesterday, Willis Corroon said group operating revenue in the first quarter to March 31 was £184.9m, an increase of 62 per eent over the pro-forma 1990 figures. Pre-tax profit rose by 13 per cent to £44m.

Brokerage and fee revenue grew by 5 per cent, but underlying growth in operating expenses was 9 per cent. The gronp said the level of expenses was being addressed by a profit improvement plan.

Earnings per share were 7.1p (10.5p) and a second interim dividend of 3.3p is declared.

Mr Roger Elliott, executive chairman, said: "The combination of continuing weakness in the direct insurance market worldwide, of reduced capacity in many reinsurance markets, and of falling interest rates has made this a very difficult quarter. Inflation has also had its effect on expenses."

Mr Elliott said the integration of the group was proceeding well.

He added that business conditions remained difficult and he could not foresee any significant upturn in the underwriting market for the group's direct business.

# Fairline buoyant but sees setback in second half

By Michiyo Nakamoto

A STRONG order book supported by exports enabled Fairline Boats to put in a resilient first-half performance. However, the announcement from the Peterborough-based boat builder was accompanied by a stern warning on second-half trading.

Pre-tax profits for the six months to March 31 rose nearly 5 per cent from £2.01m to £2.1m. The improvement came on a near-14 per cent rise in turnover to £19.28m (£16.97m), stemming entirely from exports. During the period, sales to overseas markets increased by 33 per cent while UK sales were stable.

Sales were partienlarly strong in Germany and Italy, while France and Spain also saw firm demand.

The trading environment, however, deteriorated in the new year and despite the end of the Gulf war, the easing of interest rates and a firmer dollar, orders have not been as strong as previously.

The group warned that "it is certain that our sales and profits in the second half will be lower than in the first half and considerably lower than last year."

Tha slump in orders necessitated redundancies covering some 15 per cent of the workforce.

Mr Sam Newington, chairman, said the group had enough cash to cover its low interest borrowings and is in freehold properties. "We're as well-placed as anyone to survive a nasty time if a nasty time is to come," he said.

However, with car sales down about 20 per cent he did not expect hoat sales to improve significantly in the short term. Fairline's main customers are successful businessmen, and in order for it to see a turnround, "successful businessmen have got to start making money," Mr Newington said.

Earnings per share rose 10 per cent to 41.9p (38p) and the interim dividend is maintained at 7.15p.

# Yorkshire Television falls 46% to £6m

By Jane Fuller

YORKSHIRE Television, which is defending its ITV franchise against two rival bids, yesterday reported pre-tax profits down by 46 per cent from £11.06m to £6.02m in the six months to March 31, on a 10.5 per cent fall in turnover to £94.94m.

YTV's rivals are Viking and White Rose Television. It is in turn part of the North West consortium bidding for the franchise now held by Granada. The bids had to be submitted last Wednesday and the Independent Television Commission is expected to announce the decisions in October.

Mr Clive Leach, YTV's managing director, said: "The system cannot be right. You had to forecast advertising revenue, the state of the economy, costs and inflation. On the basis of these imponderables you had to put a bid in."

The Exchequer's slice of first-half income rose slightly to £5.61m (£5.58m), soaking up 48 per cent of pre-levy profit compared with 33 per cent last time.

The biggest fall in income was in programme sales to the ITV network, down from £24.38m to £18.71m. Mr Leach said two large drama series had been sold in the first half of last year, whereas this year sales were biased towards the second half.

The Darling Buds of May, for instance, would bring in about £2.5m and might also be sold overseas.

Advertising revenue fell to £68.42m (£70.87m).

Costs had been brought down by £6m, partly by reducing jobs and cutting overtime. The average number of workers fell from 1,345 to 1,276.

The amount of cash held by the group fell from £30m in September to £14m in March.

Earnings per share fell to 10.1p (19.3p). The interim dividend is held at 3.3p.

The shares closed down 3p at 304p.

# Moody's warns on Hanson and ICI debt ratings

By Sara Webb

Moody's Investors Service, the international credit rating agency, warned yesterday that Hanson's acquisition of a 2.82 per cent stake in Imperial Chemical Industries could result in the downgrading of the companies' debt ratings under certain circumstances.

Moody's has not put either Hanson or ICI under review yet. However, it said that if Hanson substantially increased its holding in ICI "thus resulting in a more highly leveraged capital structure", its debt rating might be changed. Hanson currently has the top rating on its short-term debt.

Alternatively, Moody's said that if ICI's managamant decided to adopt a more defensive strategy leading to significant changes in the company's business portfolio or capital structure, its debt could be re-rated.

Moody's said it would not speculate as to how ICI might defend a hostile approach by Hanson, but pointed out that some companies push up their share price by buying their own stock. ICI also has the top rating on its commercial paper programme and has a long-term rating of Aa3.

# Trade Indemnity seeks £39m to patch up balance sheet

By Clare Pearson

TRADE INDEMNITY, the UK trade credit insurer badly hit by claims for insolvencies, yesterday called on shareholders for a net £39m to repair the damage to its balance sheet.

The 13-for-20 rights issue is pitched at 55p per share, a near 30 per cent discount to yesterday's opening level of 78p. The thinly-traded shares closed at 68p.

The Prudential, the insurance group which is one of the most substantial investors in the UK stock market, is the odd man out among TI's institutional shareholders in not pledging itself to support the call.

The Pru, which owns 8 per cent of TI's existing issued share capital, said yesterday that it could not comment on its investment decisions.

The seven other institutional investors have undertaken to take up entitlements in respect of, in aggregate, 68.4 per cent of the shares. The balance is being underwritten.

The rights issue announcement was accompanied by a warning from Mr Richard Duggan, chief executive, that TI would have to make further provisions this year after setting aside a substantial amount in the 1990 accounts.

Mr Duggan said the issue would enable TI to cope with the twin conditions of higher claims and new hnsiness opportunities, both thrown up hy the UK recession.

He said he could not quantify the extra provisions that would need to be made in respect of underwriting losses this year. But he did not expect the figure to exceed the amount set aside in the 1990 accounts.

That came to £32m, excluding provisions, net of premiums, relating to the mortgage indemnity business which was discontinued in March last year. The pre-tax loss for the year to end-December 1990 was £28.8m.

Net tangible assets at the year-end were reduced from £81m to £44m.

New opportunities arose as demand for credit insurance grew in an uncertain economic environment, Mr Duggan said. This had already enabled the company to increase UK premium rates by an average of 40 per cent earlier this year. The company was, he stressed, being "increasingly selective" about the business it wrote.

Earlier this month TI dropped out of the bidding for part of the Export Credits Guarantee Department, earmarked for privatisation. However, Mr Duggan said yesterday that he still hoped TI could co-operate with the Government in export credit insurance.

The other institutions taking up their rights are insurance groups Guardian Royal Exchange, SwissRe Holding, Royal Insurance, Commercial Union, Eisen & Stahl Re and Hannover Re – the two German reinsurance companies which are part of the same group – C.E. Heath and General Accident.

The balance of the issue is being underwritten by Lazard Brothers.

See Lex

# Anglo Scand asset value up

By Philip Coggan, Personal Finance Editor

ANGLO Scandinavian Investment Trust yesterday announced a 5.8 per cent increase in net asset value per share from 90.7p to 96.02p in the first half of the year. A year earlier the figure stood at 95.8p.

The trust, which invests largely in other investment trusts, is paying an interim dividend of 2.25p (1.1p) for the six months to March 31 and hopes to pay a final dividend of 2.25p. Last year's interim dividend was based on 3¼ months trading. Earnings per share amounted to 2.27p (2.14p).

Anglo Scandinavian now owns or has acceptances for 44 per cent of Lancashire & London Investment Trust, the amaller companies specialist for which it has made a contested £8.2m offer.

The hid is largely being financed by a £5.7m zero coupon debenture offer.

Anglo is offering 100 per cent of the formula asset value (FAV) of Lancashire & London in cash. The FAV is about 1.5p lower than the net asset value, and is currently about 102p, the same level as the Lancashire & London share price.

The trust has received acceptances in respect of 16.65 per cent of Lancashire & London's shares. It owned 27.4 per cent before the offer.

Lancasbire & London has rejected the offer and cross-holdings with other companies associated with Rea Brothers, the merchant bank, may mean it can count on the support of 38 per cent of shareholders.

# Magnetic Materials urges rejection of TT bid

By Jane Fuller

MAGNETIC Materials Group, the USM-quoted electronic components concern fighting a £9.2m bid, has said it is well positioned for growth and that its predator, TT Group, is mounting an opportunistic move at the bottom of the recession.

MMG's defence document includes a profit forecast of at least £625,000 for the year to June. This compares with £1.51m last year, when profits rose 31 per cent on redneed turnover of £17.18m.

Mr John Emmanuel, chief executive, said MMG had moved from hard magnets to the stronger soft ferrite business over the past two years, rationalised its operations and bought a US factory.

With 70 per cent of sales overseas, it was set to benefit from an expected 40 per cent growth in the western world's demand for electronic components over the next four years.

"The performance last year showed the benefits of our strategic change, then we were hit by a severe recession. TT is trying to buy on the eheap before the full benefits come through," he said.

TT, which has built up a stake of about 25 per cent, is making a cash offer of 50p per share. MMG's share price stood at 56p yesterday.

# Brent Walker presents survival plan

By Maggie Urry

BRENT WALKER presented its survival plan to the steering committee of its 60-plus bankers yesterday, but no decisions were reached.

The meeting is said to have gone well without any "dramas or showdowns" according to one banker. Brent Walker shares fell 3p to 29p.

Bankers said the heavily-borrowed leisure group, which on Monday reported a £255.9m retained loss for 1990 and a £690m fall in shareholders' funds to £139m, had outlined a plan which gave a "starting point" for negotiations.

No conclusion was reached on the interest payment due tomorrow on the £101.9m convertible bond issnad last November as part of an emergency refinancing package.

Althongh there has been much speculation that Brent Walker may be forced into administration, both the company and its leading bankers argue that it would be better for it to remain afloat.

The plan's aim is to restructure Brent Walker's finances so that it can service its debt from cashflow. The group's banks agreed to a freeze on capital repayments last November but now its trading profits are not covering interest charges so the dabt is mounting. The plan involves asset disposals to reduce debt.

# Healthcare boosts Compass growth

By Jane Fuller

COMPASS GROUP, the catering and private hospitals combine, increased pre-tax profit by 13 per cent, from £13.7m to £15.5m, in the six months to March 31.

Although the weak economy slowed growth on the catering side, the healthcare division lifted operating profit by 30 per cent to £5.6m with the help of acquisitions. Compass now has 15 hospitals compared with eight when it was floated in December 1988.

The eatering division improved profit by 9 per cent to £12.9m. Turnover for the two continuing legs of the business rose from £148.8m to £160.8m.

Overall turnover fell from £175.6m following the sale of the Rosser & Russell building services division and a security business. They accounted for £1.9m operating profit in the corresponding period of last year.

Mr Gerry Robinson, chief executive, said that although the group had gained 150 new catering contracts, 110 had been lost, many through business closures.

Volumes had fallen at catering units in stores and exhibition centres, and cuts in staff had affected demand at workplace canteens. There had also been a downturn in the design and installation of kitchens and canteens.

The group had signed a four-year contract with British Telecom which would add £50m to £60m a year in turnover. Operating profit margins would be about half the divisional average of nearly 10 per cent.

On the healthcare side, where the number of beds had grown to 630, occupancy level was at nearly 60 per cent compared with the target of 80 per cent, reflecting lower levels at newly acquired hospitals. Organic profit growth had been 23 per cent.

There was some vulnerability to recession through the 25 per cent of the clientele who paid for themselves, rathar than relying on insurance.

Mr Francis Mackay, finance director, said net debt had gone up to £50m after hospital acquisitions, but should fall by September. Net assets had grown to £13m. The group carries about £145m of goodwill dating back to the management buy-out from Grand Metropolitan in 1987.

Earnings per share rose 15 per cent to 15.4p (13.4p). The interim dividend goes up to 3.85p (3.45p).

Gerry Robinson: business failures hit catering

● **COMMENT**

Cautious noises on the effects of recession – still minimal compared with industrial companies – led to a downgrading of profit expectations for this year from about £34m to £32m, bnt still an 8.5 per cent increase. One of the dampeners was the effect on the catering side of unemployment, expected to rise until perhaps the third quarter of next year. On the hospital sida, although acquisitions have been put on hold, there is plenty of room for margin improvement at new sites. In tha longer term, both sides of the business have scope for growth. More companies and institutions are expected to contract out their catering. More people will he covered by health insurance and NHS reforms may offer new contract opportunities. A prospective p/e of 13.7 on yesterday's close of 433p (down 5p) puts the group on a modest premium to the market. Before its unsuccessful bid for Sketchley a year ago, the premium reached 20 per cent. If the ahare price continues to go sideways as recovery plays take precedence, it may be worth buying later this year.

## UK COMPANY NEWS

Further restructuring necessary as margins on computer systems continue to decline

# ICL slips to £110m and gloomy on prospects

By Alan Cane

FLYING its Japanese colours in public for the first time, International Computers (ICL) yesterday confirmed its position as Europe's most consistently profitable large computer manufacturer, despite a decline in net profits in 1990.

Mr Peter Bonfield, chairman and chief executive of the UK-based mainframe supplier now owned 80 per cent by Fujitsu, warned that market conditions remained tough and that continued restructuring would be inevitable as gross profit margins on computer systems continued to decline.

He was pessimistic about the computer industry's immediate prospects. Over the next five years, gross profit margins were likely to decline by five percentage points. ICL would do well in 1991, he said, to hold sales and pre-tax profits to 1990 levels.

The company turned over £1.61bn in 1990, marginally down on the £1.63bn recorded in 1989, in adverse trading conditions in many of the company's principal geographic and industrial markets. In addition to the recession in the US and UK, Mr Bonfield said, sales were slowing in France and Germany.

Revenues in the US had been further hit by an unexpectedly sharp downturn in the market for retail systems, a sector where ICL is a world leader.

The severity of the downturn was reflected in pre-tax profits of £110m, 26 per cent down on 1989. ICL's net operating margin, however, at 7 per cent, was significantly higher than its European-owned competitors.

Siemens Nixdorf Information Systems of Germany and Groupe Bull of France are trading at a loss; profitability at Olivetti of Italy was less than 1 per cent this year.

ICL's figures were further depressed by a net cash outflow of some £190m resulting partly from a £92m dividend paid to STC, ICL's former parent, as a condition of the Fujitsu takeover. There was also a £91m second payment of corporation tax as a consequence of changes in UK tax law.

Research and development costs increased by £16m to £215m, approximately 13 per cent of turnover, reflecting continued product innovation.

Last year, ICL introduced new mainframe, mid-range and personal computers, giving rise to marketing costs of £4m. Interest charges were £1.8m in 1990 compared with interest income of £9.6m in 1989.

Gross margins throughout the computer industry are falling chiefly because of increased competition and a move among customers to systems based on industry standards which have inherently lower margins.

Mr Bonfield said ICL was tackling the problem through restructuring and a drive away from hardware into software and services – chiefly through acquisition:

● The company's 21,000-strong worldwide workforce will have to fall by between 3 and 4 per cent a year for the foreseeable future, he said. Jobs would be lost through a mixture of attrition, early retirement and – to ensure a proper mix of skills in the company – forced redundancy.

The company was, however, still recruiting and average salary increases would be held to, or just below, the rate of inflation but there would be no pay freeze.

● In 1990, the percentage of revenues from software and services reached 50 per cent for the first time. Mr Bonfield said ICL had set up new subsidiaries in the UK and Europe to seek out and manage new acquisitions in the software and services business.

They would operate at arm's length from the hardware company, he said, because cost structures were very different in the hardware and software businesses. Software companies, for example, have few assets but many people.

It was important not to confuse the two businesses within the same management structure.

The company has moved into facilities management – running computer systems on behalf of customers – and disaster recovery through acquisition and is seeking to improve its representation in mainland Europe, principally Germany, by the same route.

The company was talking to a broad range of potential partners including Norsk Data of Norway, but no immediate acquisitions were in prospect.

Mr Bonfield said ICL's role as a member of Fujitsu's worldwide computer family had made a "terrific" difference to the company's market credibility.

Fujitsu was already marketing ICL's new mid-range Unix-based computers in the Far East and he expected the Japanese company to take more of ICL's industry standard products.

Fujitsu had left ICL to find its own financial feet and it had established a £250m three-year revolving line of credit with 11 banks including Commerzbank, National Westminster and the Dai-Ichi Kangyo Bank.

Mr Bonfield was sharply critical of protectionist attitudes among members of the European-owned industry; their decision to eject ICL from the European Information Technology Industry Round Table, a long-established manufacturers' lobby, had irritated him personally but caused no damage to ICL: "We have our own direct links to the Commission and our ability to put over our own views is unimpaired".


Peter Bonfield: sales slowing in France and Germany



# Postel and US group in European joint venture

By Charles Batchelor

POSTEL INVESTMENT Management, the UK pension fund management group, has teamed up with Chancellor Capital Management, a New York-based money management company to make venture and development capital investments in Europe.

The joint venture, known as Chancellor-Postel Private Eurocapital, plans to raise funds primarily from US institutions. No decision has yet been taken on the size of the funds to be raised, but $100m (£58m) would be the minimum amount necessary to make a satisfactory return, Postel said.

This move represents an significant departure for Postel which has £20bn worth of funds (£300m in venture capital) under management for the British Post Office and British Telecom but which has not previously managed funds for third party investors. It is also the first time Postel has teamed up with a partner in the venture capital field.

"We have been looking for third party business to capitalise on our strengths and to give us a commercial edge," said Mr Ray Maxwell, venture capital manager for Postel. "In the past we have been very much geared to investment performance." The investment team comprises Mr Maxwell and Mr John Brakell.

The new company will invest primarily in venture and development capital partnerships in Europe, including the UK, but may also make direct investments in companies. It is calling its activities "alternative asset investments" to avoid the unfashionable venture capital label.

Most investments are expected to be in the form of later stage development capital rather than in early stage venture capital situations. The new fund will target funds specialising in or companies engaged in restructurings, buy-outs, buy-ins or expansion.

Chancellor Capital Management, a subsidiary of USF&G, the large but troubled Baltimore insurer, manages $21bn for US institutions including pension funds, employee benefit plans and insurance companies. It has venture capital investments of $1.2bn.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres-ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Anglo Scand Inv ......int | 2.25 | June 28 | 1.1 | - | 3.367 |
| Archimedes Inv ......int | 9 | Aug 5 | 7.25 | - | 20.5 |
| British Airways ......fin | 6.05 | July 26 | 6.05 | 8.85 | 8.85 |
| Brit & Amer Film ......fin | 6.3 | June 28 | 5.65 | 9.3 | 8.3 |
| Compass ......int | 3.85 | July 26 | 3.45 | - | 10.35 |
| Cook (William) ......fin | 9 | Oct 1 | 8 | 14 | 12.46 |
| Fairline Boats ......int | 7.15 | July 24 | 7.15 | - | 21 |
| Personal Assets ......fin | 1.5 | July 2 | 1 | 1.5 | 1 |
| Petrocon ......fin | 0.625† | - | 0.75 | 1.25 | 1.25 |
| Readicut ......fin | 2.81 | Aug 10 | 2.81 | 3.44 | 3.44 |
| Shires Invest ......fin | 5.8 | July 31 | 5.5 | 17.8 | 16.75 |
| Tunstall ......int | 2.15 | July 22 | 2 | - | 5 |
| Willis Corroon ......int | 3.3 | July 1 | - | - | - |
| Yorkshire TV ......int | 3.3 | July 5 | 3.3 | - | 12 |
| Young (H) ......int | 2† | July 19 | 2 | - | 8 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡For nine months.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Albion, Baggeridge Brick, Dunedin Worldwide Inv, Ferry Pickering, Fleming High Inc Inv, Jersey Phoenix Trust, Morland, Ranks Hovis McDougall, Shaftesbury, Wheway.

Finals- Bio-Isolates, Stadia Leisure, Chamberlin & Hill, Chesterfield Props, Courtaulds, Foster (John), Land Securities, York Waterworks.

FUTURE DATES

| | |
|---|---|
| Interims- | |
| ABI Leisure ...... | May 30 |
| Perpetual ...... | May 24 |
| Finals- | |
| Anglian Water ...... | June 11 |
| Berry Birch & Noble ...... | May 23 |
| Hunter Saphir ...... | May 29 |
| Merchant Retail ...... | June 5 |
| New Throgmorton Trust ...... | May 30 |
| Wagon Indl ...... | June 26 |

## UK COMPANY NEWS

# William Cook up 28% on rationalisation benefits

By Andrew Bolger

WILLIAM COOK, the Sheffield-based steel castings group, reported a 28 per cent increase in pre-tax profits, from £9.52m to £12.18m, in the year to March 30.

The group, which in February withdrew its £38m hostile bid for Telfos, the railway engineering company, lifted turnover by some 18 per ceot to £133.22m (£112.35m).

Earnings per share increased to 46.29p (45.18p). A recommended final divideod of 9p makes a total of 14p (12.5p).

Mr Andrew Cook, chairman and chief executive, said almost all of the growth had been organic, reflecting ratiooalisation and increased efficiency. Some 600 jobs were shed in the course of the year and reorganisation and redundancies led to an extraordinary cost of £821,000.

The was also an extraordinary charge of £680,000 to cover the costs of the bid for Telfos, which was abandoned after the railway group's auditors produced a damning report on its financial status.

Mr Cook said he was undaunted by this setback and still intended to establish a second leg for the company, bnt he had no particular target in mind at present.

The capital expeoditure programme, whicb included the construction of two oew foundries at Sheffield and Stanhope, was oearly completed, enabling the closure of the Chesterfield, Newcastle and Aycliffe sites. This led to substantial efficiency gains at William Cook Steel Castings and George Blair.

Colin Beere

Andrew Cook (left), seen after the press conference yesterday with Kevin Musgrove, finance director

Mr Cook said: "The curreot year, although likely to be difficult, should benefit from the effect of our capital expeoditure and rationalisation programmes."

He also awaited with increasing frustration the government's "inexplicahly delayed" decision on the Challenger 11 battle tank, which was likely to benefit the company's foundries.

Faced with a strong pound and the threateoed erosion of its market in the US, the group paid $14m (£8m) in Janoary for Unitcast, a steel casting supplier based in Toledo, Ohio. Mr Cook said this had proved to be an excellent acquisition, having already made substantial profits and enabling the rationalisation of the group's activities in the US to follow.

## Petrocon shows advance to £1.6m

Petrocon Gronp, the engineering and survey company, reported a 23 per cent increase in pre-tax profits from £1.3m to £1.6m in the year to end-December.

The result was struck on turnover increased by 52 per cent from £9.1m to £13.8m.

A deterioration in the surveying, cartographic and engineering divisions had had an adverse effect on profits, compensated for by improved performance in other areas.

During the a year several acquisitions were made, and costs related to these accounted for the bulk of extraordinary charges totalling £585,927.

Net interest receivable rose from £567,929 to £611,459. The group has cash holdings of £3.9m and further acquisitions were being sought.

Earnings per share came out at 4.12p (4.85p) and the directors are recommending a final dividend of 0.625p making a maintained total for the year of 1.25p.

## Wiggins Teape now 'powerful' operation

In spite of difficult trading conditions in the pulp and paper industry, Wiggins Teape Appleton remained confident about its performance this year in relation to its competitors, the annual meeting was told.

Mr Cob Stenham, chairman, said the company was now a powerful, global operation.

He said tbe merger with Arjomari-Prioux was working better than envisaged. The change of name to Arjo Wiggins Appleton was approved.

# Prospects of a tie-up for the pick of the bunch

### David Owen looks at the future of PPI Del Monte, Polly Peck's fresh fruit subsidiary

WHEN POLLY Peck International announced that it was buying Del Monte's fresh fruit operations – since renamed PPI Del Monte – on September 7 1989, its shares jumped by 70p or more than 23 per cent on the day. This was in spite of an accompanying 3-for-7 rights issue. The figures underline to just what degree the Florida-based banana and pineapple company is seen as the pick of Polly's bunch of businesses.

With about 15 per cent of the world banana trade and a dominant position in the much smaller market for pineapples, Del Monte is a heavyweight in its field by any standard.

It boasts some 14,000 employees and $416m (£242m) in net assets. It has apparently continued to perform well amid all the uncertainty about its future: in the year to December 31 1990, it made profits before interest and tax of $80m on turnover of $799m, about 77 per cent of which was derived from bananas.

In fact, this month's administrators' report has done much to stem the flood of rumours about the unit's imminent sale. "There are only a limited oumber of potential purchasers given sensitive Central American political considerations and United States anti-trust restrictions," it said. This, of course, would not augur well for the price the business might fetch.

Instead, the report held out the prospect of a tie-up with "a suitable strategic partner." Discussions would be held with "a small number of parties" with a view to "combining their strengths with those of PPI Del Monte," it said.

Synergies would principally be sought in Europe, where emergent eastern markets are seen as a source of rich potential, as are the impending changes in the EC's complicated banana import regime. Del Monte's European market share is estimated at approximately 10 per cent, compared with 13 per cent and 43 per cent respectively for Dole and Chiquita Brands International, its two larger rivals.

Two distributors, with whom the group has longstanding profit-sharing arrangements, currently sell its produce in continental Europe. UK sales are conducted through a wholly-owned subsidiary.

Fruit sold in North America and Europe is sourced principally from Costa Rica and Guatemala. The Far East is supplied mainly from the Philippines.

Senior management has been promised "a major role" in any upcoming negotiations, according to Mr Brian Kearney, Del Monte's chief financial officer, who feels that seeking a partner "could well be the right strategy."

Such a move would be one way of strengthening the company's sourcing and shipping arms to cater for growing demand. "The issue is that the market has grown so dramatically in the last year or two," Mr Kearney says.

Perhaps ironically, one of the first steps Polly Peck took when assuming control of Del Monte was to arrange the sale and charter-back of nine new refrigerated cargo vessels in a £142m deal. (Three of the ships were ultimately sold outright.)

Mr Kearney estimates that the transaction effectively reduced Del Monte's 1990 profits by $2m-$3m. "The charter-backs were expensive in the short term," he says, although "cash flow-wise it was an excellent idea for the greater group." More efficient use of the vessels is expected to offset the impact of the arrangement on the company'a 1991 results.

By the finance director's assessment, the tribulations of recent months have not sapped morale too badly although there is "a little bit of a feeling of insecurity."

"Del Monte has been through this sort of process a number of times in recent years. People are perhaps more used to this sort of thing than many others would be and are hardened to it to a degree."

The staff's peace of mind has been further bolstered by the knowledge that "the likelihood of either Chiquita or Dole being in a position to buy this company is very remote because of anti-trust issues."

"Either of them would require very few of our people to assist them in running the business; with other partners that would be less the case," Mr Kearney says.

The company admits that it suffered "some disruption" to its operations in the wake of last mouth's Costa Rican earthquake but says that more or less normal service has now been restored. The rectification cost was "nominal" in the context of the overall business.

The administrators' report also emphasised that Del Monte is structured "so as to be financially independent of the rest of the PPI Group." The arrangements – set up at the time of the original purchase with the Credit-Suisse First Boston-led banking consortium – require that the company's cash "must remain within the PPI Del Monte ring-fenced group."

Last October, controversy erupted when it emerged that $32m belonging to Del Monte had found its way into a bank account belonging to Polly Peck. "The Administrators have worked closely with the PPI Del Monte management to stabilise the banking relationships which were under threat as a result of the Administration," the report says.

Brian Haycox: head of Del Monte's management team

That management is headed by the vastly experienced Mr Brian Haycox who - in his late 40s - has held a string of senior Del Monte posts over 21 years.

## NEWS DIGEST

## Tunstall falls 25% to £2.13m

A SHORTFALL in demand, particularly from public sector customers, left turnover at Tunstall Group 23 per cent lower in the half year to March 31.

But net margins were virtually unchanged with pre-tax profit down 25 per cent, from £2.84m to £2.13m.

The group makes, installs and services security and emergency communications equipment. Sales, at £18.97m (£24.63m), were hit by the general economic climate and continuing uncertainties created by the delay in implementing Care in the Community which was not expected until 1993.

The interim dividend, however, is raised to 2.15p (2p), payable from earnings of 8.4p (11.1p) per share.

Net horrowings were reduced from £6.72m last time to £1.27m and gearing cut to 12 per cent. Interest charges in the half year were £214,000 (£747,000).

### H Young

H Young Holdings, which distributes a diverse range of products including optical lenses, tools and electronic components, lifted profits by 50 per cent in the six months to March 31.

The increase – from £251,000 to £377,000 – was struck on turnover of £14.61m (£13.83m) and was helped by a sharp reduction, from £303,000 to £45,000, in interest charges.

The interim dividend is maintained at 2p, payable from earnings of 1.7p (1.1p) per share.

### Personal Assets Tst

Personal Assets Trust, which specialises in investing the funds of wealthy private individuals, saw net asset value increase from 56.67p to 59.91p over the year to April 30.

The trust also saw an increase in net revenue from £162,000 to £225,000 for the year.

Earnings per share rose from 1.08p to 1.51p and the recommended single dividend was increased from 1p to 1.5p.

### Brit & Amer Film

Growth slowed in the second half at British & American Film Holdings. After a 48 per cent rise at the interim stage 1990 pre-tax profits were ahead 33 per cent at £1.23m against £927,000.

However, over the year net asset value fell from 795.4p to 701.9p. The company said that since the year-end net asset value at May 3, excluding film rights and potential tax liability in respect of unrealised capital appreciation, was 864.9p.

Earnings per share were 32.5p (25.04p). Directors are recommending a final dividend of 6.3p making a total for the year of 9.3p (8.3p).

### Shires Investment

At March 31 1991, the fully diluted net asset value of Shires Investment had fallen to 242.5p, from 247.35p a year earlier. In the year net revenue came to £4.03m (£3.01m) for fully diluted earnings of 17.71p (16.43p). The final dividend is 5.8p for a total of 17.8p (16.75p).





Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 22.05.91: Pool purchase price £/MWh | Final Prices for Trading on 24.04.91: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 16.40 | 16.18 | 16.18 |
| 0100 | 16.42 | 16.16 | 16.16 |
| 0130 | 16.42 | 17.04 | 17.04 |
| 0200 | 16.47 | 25.73 | 27.72 |
| 0230 | 16.47 | 25.73 | 27.72 |
| 0300 | 16.44 | 25.73 | 27.71 |
| 0330 | 16.42 | 18.43 | 18.43 |
| 0400 | 16.42 | 18.24 | 18.24 |
| 0430 | 16.42 | 17.04 | 17.04 |
| 0500 | 16.42 | 16.32 | 16.32 |
| 0530 | 16.47 | 16.29 | 16.29 |
| 0600 | 16.47 | 16.28 | 16.28 |
| 0630 | 16.42 | 17.08 | 17.08 |
| 0700 | 16.55 | 20.62 | 22.51 |
| 0730 | 18.88 | 22.42 | 24.43 |
| 0800 | 21.73 | 24.88 | 27.19 |
| 0830 | 22.91 | 25.68 | 27.84 |
| 0900 | 24.19 | 26.02 | 28.48 |
| 0930 | 27.31 | 25.37 | 27.69 |
| 1000 | 27.11 | 24.94 | 27.16 |
| 1030 | 26.84 | 24.52 | 26.86 |
| 1100 | 26.93 | 24.27 | 26.35 |
| 1130 | 26.15 | 24.41 | 26.63 |
| 1200 | 29.57 | 24.41 | 26.62 |
| 1230 | 26.89 | 24.16 | 26.23 |
| 1300 | 25.68 | 23.78 | 25.75 |
| 1330 | 21.51 | 23.62 | 25.44 |
| 1400 | 21.21 | 23.42 | 25.33 |
| 1430 | 21.02 | 22.77 | 24.67 |
| 1500 | 21.16 | 27.52 | 29.52 |
| 1530 | 21.16 | 27.52 | 29.53 |
| 1600 | 21.31 | 26.57 | 26.66 |
| 1630 | 27.60 | 23.65 | 25.60 |
| 1700 | 27.76 | 23.71 | 23.59 |
| 1730 | 21.57 | 23.68 | 23.59 |
| 1800 | 21.23 | 23.53 | 25.46 |
| 1830 | 25.58 | 22.76 | 24.68 |
| 1900 | 18.27 | 26.53 | 21.90 |
| 1930 | 18.82 | 19.76 | 21.65 |
| 2000 | 21.00 | 19.78 | 21.00 |
| 2030 | 21.00 | 23.46 | 26.43 |
| 2100 | 18.82 | 23.59 | 26.58 |
| 2130 | 21.00 | 23.59 | 25.51 |
| 2200 | 21.00 | 23.69 | 23.59 |
| 2230 | 21.00 | 23.59 | 25.51 |
| 2300 | 20.86 | 19.60 | 21.45 |
| 2330 | 16.65 | 19.26 | 21.11 |
| 2400 | 16.51 | 16.29 | 18.29 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

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## COMMODITIES AND AGRICULTURE

# EC farm ministers set out on price marathon

By David Gardner in Brussels

EC AGRICULTURE ministers began what looked set to become a marathon council meeting here yesterday, amid signs that the budgetary row which has prevented agreement on this year's farm price regime may be blowing itself out.

Officials from the European Commission and the member states were optimistic that a deal could be made after three months of dispute, but several expected that consensus would require all-night sittings.

Such laboura would be designed to ensure a compromise which, at least formally, holds 1991 farm spending under the binding guideline of Ecu32.5bn ($38.8bn). This still represents a record 30 per cent rise of Ecu7.4bn on last year.

The commission, backed by the UK and the Netherlands, has held fast to the limit, while the 10 other member states, spearheaded by Mr Louis Mermaz, the French agriculture minister, have insisted the ceiling be raised to compensate for what they argue is the unforseen cost of integrating east German farms into the Common Agricultural Policy.

Unanimity would ba required to raise the guideline, not only of the farm ministers but of EC finance ministers, who also divided 10 to 2 on the issue in early April. Though the Dutch delegation has shown signs of wanting to toss the ball back to the finance ministers, Mr John Gummer, the British agriculture minister, said yesterday there was no question of the UK relaxing its fiscally rigid stance.

At the root of the dispute is the commission's contention that markets, for cereals, beef and dairy produce in particular, are so out of balance that to roll over last year's prices would break the guideline by about Ecu900m this year, and at least Ecu2bn in 1992. The 10 member states opposing the commission insist that it is exaggerating.

At last month's council in Luxembourg, however, ministers put the budget issue to one side and engaged with Brussels' specific proposals to reduce overproduction. More significantly, there has been a growing feeling that this year's spending may, after all, be manageable.

Senior commission officials say that their priority is to get their proposals for a radical overhaul of the CAP on the table next month.

There are wide differences to resolve in those areas where the commission is insisting on real cuts.

The UK and France, while recognising that cuts are needed to restrain cereals output, are unhappy with the plan to double the co-responsibility levy - a production tax - to 6 per cent. They see it as cumbersome to collect and an incitement to fraud. The UK is dissatisfied with the option of allowing farmers to either pay the levy, or set aside 15 per cent of their land. Mr Gummer says this discriminates against those already in volnntary set-aside programmes.

The UK and Germany want the milk quota reduced by about 5, rather than 2 per cent. Ireland opposes the proposed abolition of the "safety net" for surplus beef, where last year over two thirds of its beef ontput ended up.

# Mining group may take legal action

By Kevin Brown in Sydney

NEWCREST MINING, one of a group of companies seeking permission to develop the Coronation Hill gold mine in Australia's Northern Territory, yesterday said it would consider legal action if the federal government blocks development.

Mr John Quinn, managing director, said the Coronation Hill Joint Venture, which includes Newcrest, was considering its legal position, particularly in relation to property rights under mining leases granted in the past.

"We are investigating all options available to us to ensure that the 100,000 plus Australians who are shareholders of the joint venture companies are not disadvantaged by any adverse government decision," he said.

Mr Quinn's comments will raise the temperature of debate about Coronation Hill, which has come to be seen as a test of the federal Labor government's willingness to facilitate mining projects.

The cabinet is expected to make a final decision on the project within the next month. Mr Bob Hawke, the prime minister, has indicated that development may be banned, but other ministers hava given conflicting signals abont the mine's future.

A report by the Resource Assessment Commission, a government advisory body, concluded that development would have only minimal environmental consequences in the Kakadu national park, which is next to the mining site.

Howevar, the commission said mining was opposed on religious grounds hy the Jaowyn tribe, the traditional Aboriginal landowners.

Mining indnstry leaders have been lobbying hard for development permission, and there have been repeated warnings that investment may be diverted overseas if development is blocked.

Newcrest says the views of the Jaowyn have been misrepresented, and is pressing the government to approve development subject to agreement with the tribe.

Significant gold reserves have been identified at the site by the joint venture, which comprises Newcrest Mining (formerly BHP Gold Mines), Plutonic Resources (formerly Pioneer Minerals (Gold)), and Norgold.

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

**ANTIMONY:** European free market 99.6 per cent, $ per tonne, in warehouse, 1,630-1,670 (1,640-1,680).

**BISMUTH:** European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.70-2.90 (2.65-2.90).

**CADMIUM:** European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.95-2.10 (2.00-2.15).

**COBALT:** European free market, 99.5 per cent, $ per lb, in warehouse, 14.30-14.80 (14.00-14.35).

**MERCURY:** European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 125-135 (same).

**MOLYBDENUM:** European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.48-2.54 (2.48-2.56).

**SELENIUM:** European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

**TUNGSTEN ORE:** European free market, standard min. 65 per cent, $ per tonne unit (10 kg) $WO_3$, cif, 54-60 (same).

**VANADIUM:** European free market, min. 98 per cent, $ a lb $V_2O_5$, cif, 2.35-2.40 (2.40-2.50).

**URANIUM:** Nuexco exchange value, $ per lb, $U_3O_8$, 9.80 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

| | | |
|---|---|---|
| Aluminium | +4,000 | to 374,660 |
| Copper | +1,125 | to 287,050 |
| Lead | -625 | to 74,150 |
| Nickel | -324 | to 7,878 |
| Zinc | +25 | to 118,625 |
| Tin | -45 | to 16,185 |

# Gold expected to stay in established range

By David Blackwell

THE GOLD price is unlikely to move outsids its established range for most of this year, according to the annual survey of the market by Gold Fields Mineral Services.

The outlook is clouded by fears that any significant rise will be met with forward selling from producers. "The growing awareness around the globe that producers may collectively cap the price has had s strong psychological effect upon the market," says the report.

The price averaged $383.59 a troy ounce in London last year, fractionally above the 1989 average.

Gold producers and traders would prefer to forget 1990, the report suggests. Producers had to cope with a price fall in real terms for the third consecutive year, while traders faced a volatile market with no significant resumption of long-term investment interest.

The year saw the developing crisis in ths Soviet Union; the invasion of Knwait; realisation of the costs of economic reform in eastern Europe; and falling US property prices. It might have been seen as "a fertile environment for a resurgence of investment interest in gold an hence a higher price".

Instead a combination of fundamental factors, sentiment, and producer forward selling "combined to keep the market price within a relatively narrow trading range". Forward sales were up to 240 tonnes from 65 tonnes in 1989.

Fabrication demand last year rose by 4 per cent over 1989 to a record 2,380 tonnes, with jewellery absorbing 1,986 tonnes, up 6 per cent. However, jewellery fabrication "is likely to show little increase this year, assuming continued weakness in consumer spending", says the report.

Western mine prodnction reached a record 1,734 tonnes. However, this was a rise of only 3 per cent over 1989 – the lowest increase since 1981. Sonth African output, which was widely expected to fall, was almost unchanged at 605.4 tonnes "due to the concentration of mining on higher grade ore". Only the US and Australia showed increases of more than 10 per cent, rising to 11 per cent to 295 tonnes and by nearly 20 per cent to 241.3 tonnes respectively. The leap in Australian production came ahead of the introduction of a tax on profits.

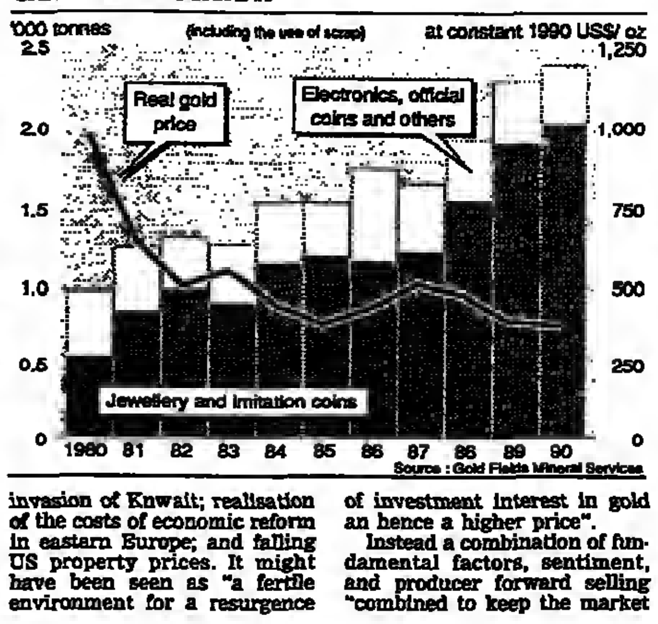
Hopes that the slower growth in Western mine production would tighten the market "were quashed by the additional supply of gold from producer forward sales, particularly at the start of the Gulf crisis".

Sales from the Soviet Union, China and North Korea totalled 380 tonnes in 1990, up from 296 tonnes the previous year. The Soviet Union is likely to maintain sales at a high level this year because of its economic and political difficulties, says the report. Last year sales totalled 285 tonnes, although mina output declined to 260 tonnes.

Scrap supplies increased to the highest level since 1986, rising to 441 tonnes from 324 tonnes, after some precautionary selling in the Middle East.

*Gold 1991. Gold Field Mineral Services. Greencoat House, Francis Street, London SW1P 1DH.*

**Gold fabrication**



Source : Gold Fields Mineral Services

# New cotton contract proposed

By Barbara Durr in Chicago

JUST as US cotton futures prices are setting record highs, ths Nsw York Cotton Exchange says it plans a new world cotton contract.

The two events are not unrelated. NYCE cotton futures have traditionally been used as s hedge for foreign cotton, but this year factors boosting New York prices have rendered the hedge virtually useless.

Mr Tom Bordalini, an analyst for the exchange, said that tight stocks of American cotton and deep weather-related troubles for the 1991 US crop have combined with continued robust export demand and a prohibition on US mills to import cotton to send New York futures prices up 17 per cent since January 1, while world prices have fallen 2 per cent.

The exchange hopes the new world cotton contract will address the difficulty of price differences between New York futures and foreign cotton crops. The contract may be cash settled and based on an index of world cotton prices, or may be for physical delivery in Europe, possibly Bremen.

NYCE says it will soon submit its contract proposal to the Commodity Futures Trading Commission for approval and hopes it can be launched by late this year or early in 1992.

Mr Joseph O'Neill, president of the NYCE, said there was "tremendons interest" in the new contract idea from the European Community and other international dealers.

# Indonesia stokes its coal-mining

**Claire Bolderson** looks at attempts to become a major exporter

AFTER decades of neglecting one of its most abundant energy resources Indonesia is starting to exploit its estimated 28bn tons of coal reserves and is positioning itself to become a major domestic user and a significant exporter of coal by the end of the century.

The speed of growth in the Indonesian coal industry has been staggering. Industry figures show that between 1980 and 1990 annual coal output increased from 325,000 tons to 11.2m tons. This year production is forecast at 13.5m tons. It is expected to reach 29m by 1995 – more than half of which will be exported.

However, the future development of coal mining and the ability of the industry to become what one mining company official in Indonesia calls "a significant player" in Asia's coal markets will depend on how quickly the country responds to the urgent demand for an adequate infrastructure, particularly better transport.

Indonesia has had coal mines for more than 100 years, bnt after the Second World War and the independence war against the Dutch which followed, they were run down. Efforts were concentrated on exploring and producing oil. For years oil dominated Indonesia's export earnings and its domestic energy market.

However, Indonesia faces the prospect, possibly within 10 years, of becoming a net oil importer as domestic oil prodnction slows and consumption soars to meet the demands of a rapidly expanding economy and a growing population.

The urgent need to find other sources than oil for domestic energy was the main catalyst for Indonesia's move towards large-scale coal production in the late 1970s.

Mr Ginandjar Kartasasmita, Indonesia's minister for mines and energy, says he thinks "coal will eventually become the country's main source of energy". He is also looking beyond the domestic market. Last year Indonesia exported just under 4.3m tons of coal.

He points to increasing demand, particularly among Asian consumers who are also anxious to reduce their dependence on oil, as an opportunity to hoost Indonesia's coal exports and make coal a major foreign exchange earner.

According to industry officials Indonesian coal is particularly attractive to the increasingly environment-conscious countries of industrialised Asia and Europe because of its low sulphur and low ash content. However, one senior foreign mining official said much of the coal – of low quality with a very low heating value – would not be worth shipping abroad.

Some private contractors starting prodnction in the provinces of Kalimantan, on Borneo island, may therefore find themselves compating heavily for the Indonesian domestic market. The private contractors are relative newcomers to the coal industry in Indonesia and most operations are only just getting underway.

There are 11 and all but two are foreign companies. They operate under a prodnction sharing agreemant with the state coal company, PT Tambang Batubara Bukit Asam (PTBA) in a deal which gives PTBA 13.5 per cent of the coal mined by each of the private contractors.

PTBA has mines of its own on the island of Sumatra, one of which, at Bukit Asam in south Sumatra, was developed with the aid of the World Bank to supply Indonesia's first big coal-fired power plant at Suralaya in West Java. There have been difficulties with the project.

When Suralaya first started up in the mid-1980s Indonesia's state electricity company had to import coal from Australia to keep the plant's power units operating. Most of the difficulties involved technical hitches with equipment at the mine as well as serious delays on the construction of a 400km railroad to the port at Tarahan where yet more construction difficulties held up coal shipments to Suralaya.

The troubles have largely been sorted ont and the Bukit Asam mine is snpplying the Suralaya power station with abont 350,000 tons of coal a month. But the difficulties experienced by the state coal company in south Sumatra were a taste of those plaguing some of the smaller private contractors in Kalimantan.

With the exception of just two underground mines, all Indonesian coal is extracted in open pit mining operations. Labour is cheap and production costs, relativa to Australia for example, are low.

However, as Mr Ambyo Mangunwijaya, the president of PTBA said: "Indonesia is a cheap coal producer hut we don't have a cheap transport system". For the larger private companies the solution is high capital investment in infrastructure. PT Kaltim Prima Coal, a company owned by British Petroleum and CRA Ltd of Australia, has in East Kalimantan what Minister Ginandjar describes as the best quality coal mine in Indonesia.

The company itself says its coal has a high calorific value, low ash, low sulphur and low total moisture. It says once full production is reached in September, all 7m tons of Kaltim Prima's output will be sold for export to Asia and Europe.

Kaltim Prima is fortunate to have a mine near the Kalimantan coast and a good harbour site. Nevertheless, it has invested $500m (£291m) in building roads, a covered conveyor, an airstrip, coal terminal and port facilities.

Smaller mining companies complain about the costs of shipping their coal. A report carried by the official Indonesian newsagency recently said one Kalimantan-based company was forced to lay off workers because it could oot find a cheap shipper.

An Australian-Indonesian joint venture company is building a deep-water port and coal terminal on Pulan Laut off the south-east coast of Kalimantan. At the state coal company Mr Amhyo said: "Wa realise that this is the most important thing, to have better coal terminals". He is confident that within the 10 years transport difficulties will he overcome and he that for Indonesian coal "the future is good".

## WORLD COMMODITIES PRICES

## MARKET REPORT

London's robusta coffee prices fell sharply yesterday afternoon as the market broke through the bottom of its trading range. The July contract closed at £547 a tonna, just above 10-week lows. "It was a sterling-induced technical sell-off, which started once we'd broken through the recent low of £553 in the second position and formed a double bottom on the charts," one trader said, adding there was no fundsmental news behind the fall. Tha key to the market's naxt move was whether New York's arabica market closed below support at 86.90 cants in July, dealars said. By midday New York's July contract was 87.70 cents a lb. On the LME copper eased, although the market was tempered by caution ahead of developments in current and upcoming Chilean copper talks. Another factor providing modarate support was the slowdown in the pace of stock increases. LME stocks rose by 1,125 tonnes to a fresh seven year high of 287,050 tonnes – less than expected. Nickel prices remained under pressure from mixed trade and commission house selling, ending near the lows. Much of the decline reflected technical factors, following yesterday's breach of $8,300. The market has now become oversold, so a technical rally is likely.

**Compiled from Reuters**

## London Markets

SPOT MARKETS

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $16.20-6.35u | +.125 |
| Brent Blend (dated) | $18.95-9.10 | +0.15 |
| Brent Blend (Jul) | $19.70-9.75 | +0.15 |
| W.T.I. (1 pm est) | $21.50-1.55u | +.325 |
| **Oil products (NWE prompt delivery per tonne CIF)** | | **+ or -** |
| Premium Gasoline | $249-251 | -1 |
| Gas Oil | $188-189 | +2 |
| Heavy Fuel Oil | $69-71 | |
| Naphtha | $212-214 | -1 |
| *Petroleum Argus Estimates* | | |
| **Other** | | **+ or -** |
| Gold (per troy oz)♣ | $356.50 | +1.15 |
| Silver (per troy oz)♣ | 405.5c | +3.0 |
| Platinum (per troy oz) | $391.75 | +8.50 |
| Palladium (per troy oz) | $94.50 | +0.40 |
| Aluminium (free market) | $1300 | +5 |
| Copper (US Producer) | 104c | |
| Lead (US Producer) | 34c | |
| Nickel (free market) | 378c | -8 |
| Tin (Kuala Lumpur market) | 15.49r | |
| Tin (New York) | 267c | |
| Zinc (US Prime Western) | 62c | |
| Cattle (live weight)† | 111.22p | -0.11* |
| Sheep (dead weight)† | 166.66p | -12.12 |
| Pigs (live weight)† | 90.40p | -1.60* |
| London daily sugar (raw) | $202.0q | +4.2 |
| London daily sugar (white) | $280.5q | +2.5 |
| Tate and Lyle export price | £224.0 | +0.5 |
| Barley (English feed) | £109v | |
| Maize (US No. 3 yellow) | £179.5 | |
| Wheat (US Dark Northern) | £100 | |
| Rubber (Jun)♥ | 53.00p | -0.50 |
| Rubber (Jul)♥ | 53.50p | -0.50 |
| Rubber (KL RSS No 1 Jun) | 226.5m | |
| Coconut oil (Philippines)§ | $340v | |
| Palm Oil (Malaysian)§ | Unq | |
| Copra (Philippines)§ | $222.5u | |
| Soyabeans (US) | £159.5 | +0.5 |
| Cotton "A" index | 85.30c | +0.55 |
| Wooltops (64s Super) | 384p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jun/Jul t-Jun u-Jul v-Jul/Aug. x-Jul/Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

| Raw | Close | Previous | High/Low |
|---|---|---|---|
| Aug | 171.00 | 171.40 | 172.20 170.00 |
| Oct | 170.00 | 170.80 | 172.00 169.80 |
| Dec | 173.80 | | 173.00 |
| Mar | 170.80 | 172.20 | 173.20 169.80 |
| May | 173.80 | | 175.00 |
| **White** | **Close** | **Previous** | **High/Low** |
| Aug | 280.0 | 279.0 | 279.9 278.6 |
| Oct | 250.5 | 249.5 | 250.5 249.0 |
| Dec | 246.8 | 244.5 | 245.0 243.0 |
| Mar | 245.5 | 247.0 | 246.8 244.1 |

Turnover: Raw 338 (475) lots of 50 tonnes. White 776 (561)
Paris- White (FFr per tonne): Aug 1626, Oct 1457.

CRUDE OIL – IPE $/barrel

| | Latest | Previous | High/Low |
|---|---|---|---|
| Jul | 19.62 | 19.57 | 19.77 19.50 |
| Aug | 19.82 | 19.77 | 19.95 19.78 |
| Sep | 20.00 | 20.05 | 20.11 19.93 |
| Oct | 20.20 | 20.05 | 20.20 20.10 |
| IPE Index | 19.57 | 19.40 | |

Turnover 9088 (8048)

GAS OIL – IPE $/tonne

| | Latest | Previous | High/Low |
|---|---|---|---|
| Jun | 181.75 | 179.00 | 181.75 179.00 |
| Jul | 177.00 | 174.50 | 177.25 774.75 |
| Aug | 178.75 | 177.00 | 179.00 177.00 |
| Sep | 180.00 | 178.50 | 180.50 178.50 |
| Oct | 183.00 | 182.25 | 183.00 181.25 |
| Nov | 185.00 | 184.00 | 185.00 182.50 |
| Dec | 186.00 | 185.00 | 186.00 183.50 |
| Jan | 183.50 | 180.75 | 183.50 181.00 |
| Feb | 180.25 | | 178.75 178.50 |

Turnover 9019 (2594) lots of 100 tonnes

**COTTON**
Liverpool-No spot or shipment sales were recorded for the week ended May 17 1991, against 135 tonnes in the previous week. Activity was severely restrained and business was conducted on narrow lines. High cost of raw cotton deterred users from increasing their purchases.

**JUTE**
C and I Dundee: BTC $485, BWC $510, BTD $460, BWD $465. C and I Antwerp: BTC $470, BWC $470, BTD $445, BWD $440.

COCOA – London FOX £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| May | 590 | 586 | 594 594 |
| Jul | 608 | 613 | 612 605 |
| Sep | 635 | 640 | 640 633 |
| Dec | 671 | 675 | 675 669 |
| Mar | 703 | 707 | 706 702 |
| May | 728 | 730 | 730 725 |
| Jul | 748 | 752 | 752 747 |

Turnover: 3580 (2025) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 20 787.13 (778.62) 10 day average for May 21 789.15 (791.70)

COFFEE – London FOX £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| May | 519 | 539 | 532 510 |
| Jul | 547 | 565 | 565 545 |
| Sep | 572 | 587 | 594 570 |
| Nov | 592 | 600 | 604 590 |
| Jan | 614 | 625 | 628 617 |
| Mar | 635 | 639 | 644 634 |

Turnover:2454 (1436) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 20 : Comp. daily 68.66 (68.41). 10 day average 66.22 (66.18)

POTATOES – London FOX £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 133.5 | 133.6 | |
| Apr | 135.3 | 135.2 | 135.5 135.0 |

Turnover 27 (102) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Jun | 310.00 | 132.50 | 310.00 |
| Aug | 290.00 | 130.00 | 290.00 |

Turnover 378 (70) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

| | Close | Previous | High/Low |
|---|---|---|---|
| May | 1694 | 1691 | 1705 1695 |
| Jun | 1599 | 1595 | 1610 1585 |
| Jul | 1495 | 1489 | 1505 1480 |
| Oct | 1588 | 1580 | 1600 1585 |
| Jan | 1588 | 1590 | 1605 1600 |
| BFI | 1677 | 1669 | |

Turnover 375 (283)

GRAINS – London FOX £/tonne

| Wheat | Close | Previous | High/Low |
|---|---|---|---|
| May | 135.40 | 136.90 | 136.15 |
| Jun | 136.10 | 137.60 | 138.85 136.10 |
| Sep | 111.50 | 111.45 | 111.50 |
| Nov | 114.15 | 114.40 | 114.40 |
| **Barley** | **Close** | **Previous** | **High/Low** |
| May | 122.60 | 121.50 | 122.00 |
| Sep | 107.90 | 107.90 | |
| Nov | 111.55 | 111.50 | 111.55 111.50 |

Turnover: Wheat 143 (63), Barley 10 (16).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

| | Close | Previous | High/Low |
|---|---|---|---|
| Jul | 117.0 | 116.8 | 117.0 |
| Aug | 114.5 | | 114.0 |
| Sep | 113.0 | | 112.5 |
| Oct | 113.0 | 112.8 | 113.5 112.5 |
| Nov | 108.5 | | 108.5 |
| Jan | 102.8 | 103.0 | 102.0 |

Turnover:69 (35) lots of 3,250 kg

HOGS – London FOX

| | Close | Prev. | High | Low | Vol |
|---|---|---|---|---|---|
| Indx | 140.08 | 138.74 | | | |
| Jun | 140.30 | 140.60 | 141.00 | 140.30 | 125 |
| Jul | 140.90 | 141.20 | 141.20 | 140.90 | 65 |
| Sep | 141.50 | 141.60 | 141.60 | 141.50 | 60 |
| Dec | 142.70 | 141.80 | 143.00 | 142.70 | 65 |

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Total daily turnover 17,674 lots |
| Cash | 1296-8 | 1294-6 | | 1298-9 | | |
| 3 months | 1327-8 | 1325-6 | 1331/1320 | 1330-1 | 1326-9 | 61,482 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Total daily turnover 21,541 lots |
| Cash | 1290-2 | 1305-6 | 1297/1295 | 1295-6 | | |
| 3 months | 1300.5-1.0 | 1313-4 | 1310/1298 | 1303-4 | 1300-1 | 114,417 lots |
| **Lead (£ per tonne)** | | | | | | Total daily turnover 1,543 lots |
| Cash | 334-5 | 321-3 | 324/319.5 | 319.5-20.0 | | |
| 3 months | 337-7.5 | 335-6 | 337.5/332 | 332.25-2.5 | 335-6 | 13,701 lots |
| **Nickel ($ per tonne)** | | | | | | Total daily turnover 3,543 lots |
| Cash | 8100-20 | 8300-20 | 8150/8140 | 8140-5 | | |
| 3 months | 8150-70 | 8350-60 | 8275/8128 | 8165-80 | 8155-60 | 10,869 lots |
| **Tin ($ per tonne)** | | | | | | Total daily turnover 1,744 lots |
| Cash | 5605-15 | 5665-705 | 5680/5680 | 5670-80 | | |
| 3 months | 5680-700 | 5780-5 | 5775/5700 | 5780-70 | 5740-5 | 8,893 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Total daily turnover 3,868 lots |
| Cash | 1089-91 | 1087-8 | | 1085-7 | | |
| 3 months | 1105-6 | 1103-4 | 1105/1102 | 1102-3 | 1104-6 | 26,535 lots |

LME Closing £/$ rate:
SPOT: 1.7410 3 months: 1.7177 6 months: 1.6963 9 months: 1.6850

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 356.40-356.80 | |
| Opening | 356.80-357.00 | |
| Morning fix | 356.75 | 206.512 |
| Afternoon fix | 356.30 | 206.013 |
| Day's high | 357.00-357.30 | |
| Day's low | 356.20-356.50 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 5.28 | 6 months | 5.10 |
| 2 months | 5.22 | 12 months | 5.11 |
| 3 months | 5.10 | | |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 233.10 | 404.00 |
| 3 months | 238.70 | 409.90 |
| 6 months | 245.95 | 416.00 |
| 12 months | 256.50 | 429.90 |

GOLD COINS
(Prices supplied by Engelhard Metals)

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 356.50-357.50 | 206.00-206.50 |
| Maple leaf | 365.00-366.00 | 211.00-211.50 |
| New Sovereign | 85.00-86.00 | 48.25-48.75 |

TRADED OPTIONS

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Jul | Sep | Jul | Sep |
| 1200 | 120 | 144 | 3 | 10 |
| 1300 | 44 | 74 | 26 | 37 |
| 1400 | 9 | 30 | 90 | 91 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2150 | 122 | 131 | 24 | 55 |
| 2250 | 62 | 79 | 63 | 101 |
| 2350 | 26 | 44 | 126 | 164 |
| **Coffee** | **Jul** | **Sep** | **Jul** | **Sep** |
| 500 | 48 | 74 | 2 | 3 |
| 550 | 13 | 37 | 77 | 16 |
| 600 | 2 | 15 | 56 | 44 |
| **Cocoa** | **Jul** | **Sep** | **Jul** | **Sep** |
| 550 | 88 | 48 | 1 | 13 |
| 600 | 19 | 22 | 12 | 37 |
| 650 | 3 | 9 | 46 | 74 |
| **Brent Crude** | **Jul** | **Aug** | **Jul** | **Aug** |
| 1850 | | | 3 | |
| 1900 | 75 | | | |
| 1950 | 44 | 80 | | 60 |

## New York

GOLD 100 troy oz.; $/troy oz.

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 357.2 | 357.4 | 0 | 0 |
| Jun | 357.9 | 358.1 | 358.4 | 357.4 |
| Jul | 358.9 | 358.8 | 0 | 0 |
| Aug | 360.3 | 360.5 | 360.8 | 359.7 |
| Oct | 363.3 | 363.5 | 363.7 | 363.0 |
| Dec | 366.5 | 366.5 | 366.7 | 366.0 |
| Feb | 369.5 | 369.9 | 369.6 | 369.5 |
| Apr | 372.9 | 373.0 | 0 | 0 |
| Jun | 376.3 | 376.4 | 376.4 | 376.4 |

PLATINUM 50 troy oz; $/troy oz.

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 395.9 | 392.7 | 397.0 | 393.5 |
| Oct | 400.3 | 397.0 | 401.0 | 398.0 |
| Jan | 404.5 | 401.2 | 0 | 0 |
| Apr | 408.1 | 404.8 | 407.5 | 407.5 |
| Jul | 412.1 | 408.8 | 0 | 0 |

SILVER 5,000 troy oz; cents/troy oz.

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 403.5 | 402.6 | 402.5 | 402.0 |
| Jun | 403.7 | 402.9 | 0 | 0 |
| Jul | 408.3 | 405.5 | 408.0 | 404.0 |
| Sep | 411.2 | 410.3 | 413.0 | 410.0 |
| Dec | 418.1 | 417.2 | 418.0 | 416.5 |
| Jan | 420.1 | 419.2 | 0 | 0 |
| Mar | 425.6 | 424.7 | 0 | 0 |
| May | 430.9 | 429.9 | 0 | 0 |
| Jul | 436.1 | 435.1 | 0 | 0 |
| Sep | 441.8 | 440.8 | 0 | 0 |

HIGH GRADE COPPER 25,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 101.25 | 100.20 | 101.60 | 99.85 |
| Jun | 101.00 | 99.90 | 101.00 | 99.90 |
| Jul | 99.50 | 98.80 | 99.60 | 98.20 |
| Aug | 98.90 | 98.35 | 98.90 | 98.90 |
| Sep | 98.55 | 97.80 | 98.60 | 97.70 |
| Oct | 98.20 | 97.80 | 0 | 0 |
| Nov | 97.80 | 97.30 | 0 | 0 |
| Dec | 97.45 | 97.00 | 97.70 | 96.70 |
| Jan | 97.15 | 96.75 | 0 | 0 |
| Feb | 96.75 | 95.40 | 0 | 0 |

CRUDE OIL (Light) 42,000 US galls $/barrel

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 21.48 | 21.37 | 21.74 | 21.41 |
| Jul | 21.36 | 21.29 | 21.53 | 21.29 |
| Aug | 21.40 | 21.37 | 21.56 | 21.35 |
| Sep | 21.48 | 21.46 | 21.63 | 21.40 |
| Oct | 21.53 | 21.56 | 21.68 | 21.47 |
| Nov | 21.60 | 21.01 | 21.72 | 21.58 |
| Dec | 21.68 | 21.66 | 21.75 | 21.62 |
| Jan | 21.57 | 21.59 | 21.70 | 21.57 |
| Feb | 21.53 | 21.53 | 21.60 | 21.47 |
| Mar | 21.48 | 21.48 | 21.54 | 21.43 |

HEATING OIL 42,000 US galls, cents/US galls

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 5650 | 5605 | 5690 | 5590 |
| Jul | 5725 | 5658 | 5765 | 5640 |
| Aug | 5795 | 5730 | 5840 | 5730 |
| Sep | 5940 | 5875 | 5970 | 5865 |
| Oct | 6030 | 5963 | 6060 | 6010 |
| Nov | 6135 | 6079 | 6140 | 6095 |
| Dec | 6230 | 6170 | 6240 | 6190 |
| Jan | 6230 | 6160 | 6235 | 6200 |
| Feb | 6090 | 6060 | 6090 | 6060 |
| Mar | 5910 | 5860 | 5950 | 5865 |

COCOA 10 tonnes;$/tonnes

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 998 | 992 | 1003 | 990 |
| Sep | 1019 | 1020 | 1027 | 1018 |
| Dec | 1061 | 1059 | 1067 | 1060 |
| Mar | 1101 | 1101 | 1103 | 1100 |
| May | 1130 | 1130 | 1128 | 1128 |
| Jul | 1156 | 1165 | 1165 | 1165 |
| Sep | 1183 | 1188 | 1188 | 1188 |

COFFEE "C" 37,500lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 87.55 | 89.75 | 89.40 | 87.50 |
| Sep | 89.85 | 91.90 | 91.35 | 89.80 |
| Dec | 92.90 | 94.90 | 94.50 | 92.90 |
| Mar | 95.75 | 97.70 | 96.00 | 96.00 |
| May | 97.40 | 99.65 | 98.10 | 98.10 |
| Sep | 101.00 | 104.00 | 0 | 0 |

SUGAR WORLD "11" 112,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 7.99 | 8.07 | 8.10 | 7.90 |
| Oct | 7.67 | 7.76 | 7.77 | 7.01 |
| Mar | 7.69 | 7.83 | 7.83 | 7.67 |
| May | 7.79 | 7.91 | 7.91 | 7.79 |
| Jul | 7.92 | 8.08 | 0 | 0 |
| Oct | 8.00 | 8.15 | 0 | 0 |

COTTON 50,000; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 93.86 | 94.05 | 94.45 | 93.25 |
| Oct | 82.60 | 82.88 | 83.30 | 82.00 |
| Dec | 76.05 | 75.90 | 76.35 | 75.28 |
| Mar | 76.86 | 76.85 | 77.10 | 76.10 |
| May | 77.28 | 76.60 | 77.30 | 76.60 |
| Jul | 77.70 | 77.10 | 77.70 | 77.25 |

ORANGE JUICE 15,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 121.40 | 117.85 | 121.80 | 117.30 |
| Sep | 121.30 | 117.45 | 121.50 | 117.60 |
| Nov | 119.70 | 116.55 | 121.00 | 117.75 |

INDICES

REUTERS (Base: September 18 1931 = 100)

| May 21 | May 20 | mnth ago | yr ago |
|---|---|---|---|
| 1726.1 | 1726.1 | 1741.3 | 1921.6 |

DOW JONES (Base: Dec. 01 1974 = 100)

| | May 20 | May 10 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 128.84 | - | 128.74 | 134.09 |
| Futures | 126.82 | - | 128.05 | 135.65 |

## Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 564/0 | 563/4 | 568/4 | 564/0 |
| Jul | 579/0 | 571/6 | 580/0 | 571/6 |
| Aug | 583/2 | 574/6 | 583/6 | 575/2 |
| Sep | 584/2 | 575/6 | 584/4 | 575/6 |
| Nov | 590/0 | 583/0 | 591/0 | 582/2 |
| Jan | 601/0 | 604/0 | 601/4 | 593/4 |
| Mar | 610/4 | 604/2 | 612/0 | 604/0 |
| May | 618/6 | 612/2 | 619/0 | 612/4 |

SOYABEAN OIL 60,000 lbs; cents/lb

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 19.71 | 19.55 | 19.77 | 19.55 |
| Jul | 19.95 | 19.71 | 19.99 | 19.71 |
| Aug | 20.11 | 19.68 | 20.16 | 19.89 |
| Sep | 20.28 | 20.06 | 20.33 | 20.07 |
| Oct | 20.43 | 20.22 | 20.50 | 20.26 |
| Dec | 20.70 | 20.56 | 20.53 | 20.55 |
| Jan | 20.91 | 20.73 | 20.97 | 20.73 |
| Mar | 21.24 | 21.02 | 21.30 | 21.09 |

SOYABEAN MEAL 100 tons; $/ton

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 169.6 | 171.2 | 171.5 | 169.2 |
| Jul | 173.9 | 173.1 | 174.0 | 171.9 |
| Aug | 174.8 | 173.8 | 175.2 | 173.0 |
| Sep | 175.9 | 174.5 | 176.0 | 174.1 |
| Oct | 176.6 | 176.1 | 176.6 | 175.0 |
| Dec | 176.9 | 177.4 | 178.1 | 176.5 |
| Jan | 179.5 | 178.0 | 179.5 | 177.5 |
| Mar | 180.5 | 1180.5 | 180.5 | 180.5 |

MAIZE 5,000 bu min; cents/56lb bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 241/2 | 242/2 | 242/0 | 240/4 |
| Jul | 250/6 | 247/4 | 251/0 | 247/0 |
| Sep | 248/6 | 247/0 | 248/6 | 246/2 |
| Dec | 248/0 | 246/2 | 248/4 | 245/0 |
| Mar | 255/4 | 253/4 | 255/4 | 252/2 |
| May | 259/0 | 257/4 | 259/0 | 256/6 |
| Jul | 263/6 | 262/0 | 263/6 | 260/6 |

WHEAT 5,000 bu min; cents/60lb-bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 286/4 | 287/0 | 286/0 | 286/4 |
| Jul | 295/0 | 292/6 | 295/0 | 292/2 |
| Sep | 303/4 | 301/4 | 303/4 | 300/4 |
| Dec | 315/4 | 313/4 | 315/4 | 312/6 |
| Mar | 322/2 | 321/0 | 322/4 | 320/4 |
| May | 319/6 | 319/4 | 320/2 | 318/0 |

LIVE CATTLE 40,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 74.45 | 74.37 | 74.60 | 74.25 |
| Aug | 72.67 | 72.30 | 72.75 | 72.32 |
| Oct | 74.45 | 74.30 | 74.60 | 74.15 |
| Dec | 75.12 | 74.97 | 75.30 | 74.82 |
| Feb | 74.67 | 74.40 | 74.80 | 74.42 |
| Apr | 75.35 | 75.30 | 75.50 | 75.15 |
| Jun | 73.90 | 73.95 | 73.95 | 73.87 |

LIVE HOGS 30,000 lb; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 57.07 | 56.80 | 57.10 | 56.60 |
| Jul | 55.25 | 55.05 | 55.40 | 54.00 |
| Aug | 52.27 | 51.92 | 52.37 | 51.85 |
| Oct | 47.25 | 46.75 | 47.50 | 46.85 |
| Dec | 47.42 | 46.85 | 47.60 | 47.00 |
| Feb | 47.20 | 46.70 | 47.25 | 47.00 |
| Apr | 45.35 | 45.25 | 45.60 | 45.25 |
| Jun | 49.75 | 49.75 | 0 | 0 |

PORK BELLIES 40,000 lbs; cents/lb

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 59.20 | 59.10 | 59.20 | 57.85 |
| Jul | 56.65 | 55.90 | 56.90 | 55.42 |
| Aug | 53.60 | 53.20 | 53.85 | 52.50 |
| Feb | 55.72 | 55.80 | 56.65 | 55.20 |
| Mar | 55.30 | 55.35 | 55.60 | 56.30 |

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## LONDON STOCK EXCHANGE

# Share gains extended in modest trade

TRADING VOLUME in UK equities improved somewhat yesterday and share prices continued to move upwards as investors showed confidence in the medium-term outlook for the market. Once again, early gains were trimmed at midsession but a good opening to the new session on Wall Street, which rose 22 Dow points in early trading, took London to a firm close at its best level for the day.

Utility stocks provided the best sector in the market as institutional investors focused on the attractions of good quality yields at a time when gains in share prices seem profoundly uncertain. National Power's move to reduce the workforce came just before the close of the stock market. Similar factors helped British Airways, wbare the expectedly poor results were offset by a maintained dividend.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Apr 29 | May 20 | Jun 3 |
| Option Declarations: | | |
| May 16 | May 30 | Jun 13 |
| Last Dealings: | | |
| May 17 | May 01 | Jun 14 |
| Account Day: | | |
| May 28 | Jun 10 | Jun 24 |

*New-time dealings may take place from 8.30 am two business days earlier.

At the close, the FT-SE Index was 16.1 points up at 2,482.7, comfortably extending its recovery above the 2,450 mark. Seaq volume, sluggish at first, increased later to show a final total of 424.9m shares, against 327.2m on Monday.

The latest monthly figures on UK money supply and bank lending had little effect in the equity market. Tha market faces its next hurdle tomorrow when the UK trade figures for last month will be released. Equity strategists look for a further modest reduction in the monthly deficit.

Shares in ICI shaded easier, reflecting the further elackening of takeover tensions as the stock market predicted strong regulatory opposition to any further move from the Hanson camp. Barclays de Zoete Wedd commented that corporate acquisitions had already fallen to an eight-year low in the first quarter. However, BZW warns that last week's developments in ICI stock show how any large takeover could dramatically affect the supply/demand situation in the share market.

Another small rights issue, for £39.6m from Trade Indemnity, underlined the constant pressure on institutional cash balances. These balances have already been snbstantially reduced over the first quarter when ovrseas markets bit deeply into pension funds cash flows.

Renewed vitality in the US market helped many Wall Street-favoured stocks in tbs London market. Reckitt & Colman, always a thinly traded stock, moved up smartly but attracted volume of barsly 200,000 shares. Reuters, BAT Industries and BOC all edged higher. There was activity among the leading oil shares but North Sea issues lacked direction. The pharmaceuticals lacked supporters and found it hard to hold recent gains.

An indication of the market's underlying confidence in prospects for further base rate cuts soon came from a rally in the retail sector, which was unsettled on the previous day by the news of a drop of 3.3 per cent in high street sales last month. Marks and Spencar, GUS and some brewery issues managed gains yesterday.

Nikko Securities argued the case for base rate optimism, predicting that base rates will be cut by a further half-point before the end of this month, "because of the severity of the recession and the necessity to improve government popularity". However, it sbaree ths view expressed elsewhare in the market that a general election in June is now "an impossibility" in the wake of the government'e heavy defaat last week at the Monmouth by-election, and that this will extend ths pariod of uncertainty which has already cast its shadow across the equity market and caused trading volumes to fall.

## FINANCIAL TIMES STOCK INDICES

| | May 21 | May 20 | May 17 | May 16 | May 15 | Year Ago | 1991 High | 1991 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 84.37 | 84.18 | 84.04 | 84.24 | 84 20 | 79.23 | 85 88 (19/2) | 62.17 (2/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 93.41 | 93.36 | 93.51 | 93.58 | 93.57 | 87.42 | 94.84 (5/4) | 90 59 (2/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share● | 1942.5 | 1927.3 | 1926.2 | 1938.6 | 1929.2 | 1829.5 | 2014.5 (5/4) | 1606.3 (16/1) | 2014.5 (5/4/91) | 49.4 (26/6/40) |
| Gold Mines | 159.2 | 158.4 | 156.8 | 158.5 | 153.8 | 211.8 | 178.7 (14/1) | 127.0 (22/2) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2482.7 | 2466.6 | 2453.9 | 2471.9 | 2459.4 | 2311 3 | 2545 3 (5/4) | 2054.8 (16/1) | 2545.3 (5/4/91) | 986.9 (23/7/84) |
| FT-SE Eurotrack 200 | 1162.66 | 1154.43‡ | 1151.02 | 1151.25 | 1146.26 | - | 1176.39 (15/4) | 938.62 (16/1) | 1176 39 (15/4/91) | 938.62 (16/1/91) |
| ●Ord. Div. Yield | 4.93 | 4.95 | 4.96 | 4.84 | 4.98 | 5.02 | | | | |
| ●Earning Yld %(full) | 8 64 | 8.69 | 8.71 | 8 66 | 8.77 | 11 35 | | | | |
| ●P/E Ratio(Net)(☆) | 14.30 | 14.22 | 14.18 | 14.27 | 14.08 | 10.65 | | | | |
| SEAQ Bargns 4.45pm | 26,178 | 24,575 | 32,707 | 30,159 | 28,128 | 32,854 | | | | |
| Equity Turnover(£m)† | - | 573.84 | 869.00 | 1288 22 | 850 81 | 1077.70 | | | | |
| Equity Bargains† | - | 24,468 | 32,384 | 29,932 | 26,076 | 25,287 | | | | |
| Shares Traded (ml)† | - | 278.8 | 409.7 | 434.0 | 375.4 | 360.8 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 13.71 ‡ Indicative

Ordinary Share Index, Hourly changes Day's High 1942.5 Day's Low 1932.0

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 1932.0 | 1933.9 | 1938.9 | 1938.4 | 1936.5 | 1936 3 | 1933.8 | 1938 5 | 1939.9 |

FT-SE 100, Hourly changes Day's High 2482.7 Day's Low 2471.5

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2471.5 | 2475.1 | 2480.1 | 2479.5 | 2475.6 | 2474.5 | 2471.9 | 2474.7 | 2478 7 |

FT-SE Eurotrack 200, Hourly changes Day's High 1162.78 Day's Low 1158.70

| Open | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm |
|---|---|---|---|---|---|---|
| 1160.51 | 1159.86 | 1160.86 | 1160.44 | 1161.26 | 1160.43 | 1160.93 |

### GILT EDGED ACTIVITY

| Indices* | May 20 | May 17 |
|---|---|---|
| Gilt Edged Bargains | 88.0 | 102.9 |
| 5 - Day average | 97.0 | 101.2 |

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

# Utilities lead advance

NATIONAL Power, tha electricity generator floated on the market last December, spearheaded another general advance by the utilities sector, after the group revealed it is implementing plans to streamline its operations via the shedding of 2,000 jobs. Dealers said institutions were strong buyers of the shares on the basis of sharply reduced fixed costs.

National shares climbed 8 to 144½p with turnover expanding rapidly during the day to reach 10m. Also giving a boost was a note from County NatWest which said the stock was among its preferred choices in an electricity sector that with the flotation of the Scottish companies will be complete and comprise some 3 per cent of the FT-Actuaries index.

County's other buys include Eastern (up 9 at 199p), London (8 firmer at 215p), East Midlands (10 better at 215p) and Sonth West Electricity (7 higher at 219p).

Midland Electricity, 8 stronger at 218p, was given a big push by Hoare Govett, who said the company was among four likely to announce higher dividends than generally expected. The othera are Anglian Water, 5 up at 310p, Severn Trent Water, 6 better at 280p, and South Wales Electricity, which rose 10 to 267p. The Electricity Package climbed 97 to £2235.

The Water Package added 30 at £3018 in spite of evidence that more units were being unravelled and the more narrowly traded issues sold back into the market. Underperformers included Welsh Water, 2 off at 330p, and Southern, 4 lower at 268p.

### Mountleigh volatile

Property shares were unsettled by the news that Mr Nelson Peltz and Mr Peter May, the US entrepreneurs, had sold half of their 22 per cent stake in Mountleigh to The Gordon P. Getty Family Trust.

The stock initially advanced 4 to 85p as the market hoped that the move could be a prelude to a bid for the UK property company. On reflection, dealers began to believe that a rights issue, underwritten by the Getty Trust, would come first and Mountleigh closed a net 4 lower at 77p.

Naws of Getty's interest came too late for several disgruntled institutional shareholders, who were sellers of stock. On the Seaq screens, two large lines of Mountleigh stock totalling 13.1m shares were racorded as having changed hands at 75p and 74½p. "Their are a lot of disenchanted investors ont there who are worried that this deal signals a rights issue," an analyst said.

### Airways relief

Relief that British Airways had maintained its final dividend and managed to report annual profits bettar than feared in spite of the sharp fall in air traffic during the Gulf war boosted the shares 5 to 164½p.

Speculation that the dividend could be cut had undermined BA in the previous session. Mr Richard Hannah of UBS Phillips & Drew said: "The gloom appears to be lifting. A recovery in 1992/93 is in sight."

However, uncertainty over the timing of a recovery in air traffic continues to produce a wide range of estimates of BA's profitability for this year. Barclays de Zoete Wedd believes it will break even, while UBS expects profits of £100m.

Glaxo was easier after its sharp rise last week. At one point the shares were down 20 but they rallied to close only a penny off on balance at 1127p. Mr Didier Cowling of Nomura Research Institute said the rise, prompted by the announcement that the company had won approval in the Netherlands for its new anti-migraine drug, was overdone. "We still do not know what the restrictions on its use will be," he added.

Rothmans International picked up 9 to 859p on the back of good results from its Australian subsidiary.

Grand Metropolitan fell in early trading as the market reacted to recent selling in tha US, but picked np later as investors began to see the stock as reaching a realistic floor and looked towards a stronger dollar later this year. It ended unchanged at 759p.

Fisons was 3 firmer at 465p after a bullish annual statement which said the company was "in good shape strategically, and is well positioned to continue its growth".

Brokerage house advice to reduce portfolio weightings continued to hold back British Aerospace, 599p, while further profit-taking ahead of the annual results, due tomorrow, left Courtaulds 5 lower at 379p. County NatWest recommend switching from the latter to BOC Group, up 9 at 542p yesterday.

Moderate investment support found stock of Inchcape in short snpply and the price jumped 10 to 340p. De La Rue, the UK banknote printer, made headway in similar circumstances to close 7 up at 365p.

British Petroleum moved ahead strongly, and mostly at the expense of Shell, to close 7 stronger at 328p; turnover in BP was a good 5.4m. Shell dipped a penny to 513p on 2.5m shares. Dealers reported heavy switching out of Shell and into BP, with S.G. Warburg Securities said to have been behind much of the activity in ths two stocks.

There were also stories that other inflnantial broking houses had moved from neutral to a more positive stance on BP. "Shell has outperformed BP by something in the region of 24 per cent since the back end of last year," commented one specialist.

Enterprise Oil, stimulated by a positive note issued by Smith New Court, advanced 7 to 522p [illegible] 3.1m shares traded.

Monument Oil & Gas held at 38¾p as a line of 9.6m shares was placed at 38p and a line of 8.2m was traded at 38¾p.

George Wimpey slipped 2 to 207p after a block of 3m shares were sold into the market at 206p, in spite of a broker'a buy note; turnover in the stock reached 6m.

Medeva, the fast-expanding UK pharmaceutical company which earlier this month made its first US acquisition at a cost of £45m, moved 6 higher to a 1991 closing peak of 135p. Several investment houses label the stock a buy, the latest being Société Générale Strauss Turnbull Securities.

"Tha rating is demanding but reflects Medeva's perceived growth potential," said SGSTS analysts, who added: "Investors should be aware that there are likely to be numerous future acquisitions, which will probably be largely funded by rights issues."

William Cook, the steel castings group, delivered increased annnal profits in line with market astimates, together with a cautiously optimistic trading statement, and the combination nudged the stock 4 higher to 281p. Panmure Gordon told clients recently to be underweight of the metals sector but urged purchases of Cook, the sole supplier of tank track to the Ministry of Defence, on the grounds that the stock was undervalued.

Compass Group, the contract catering and health services company, shed 5 to 433p after investmant houses cut their forecasts for the company. County NatWest lowered its 1991 estimate by £1.5m to £32m and its 1992 figure by £5.5m to £35m. Mr Geoffrey Collier, of County, said the company, which sprang from a management buyout within GrandMet in 1987, was showing itself "slightly more vulnerable and slightly more affected by recession". Broker James Capel reduced its 1991 estimate by £2m to £32m but said the downside was limited.

Investors continued to show scepticism over the flotation of Mr Robert Maxwell's Mirror Group Newspapers. Tha shares closed at 120p, down 3¼ on the day and 5 below the original offer price. There was a fair amount of selling within a turnover of 4.9m.

Relief over Wiggins Teape Appleton'a annual statement and high expectations about its recent merger with the French company Arjomari-Prionx helped tha paper and pulp group to pick np 9 to 236p.

Credit insurer Trade Indemnity weakened sharply after calling on shareboldere for £39.6m becanse tbs level of insolvancies has increased beyond previous forecasts. The chairman said: "Material additional provisions are likely to be required in respect of the 1989 and 1990 underwriting accounts." The shares closed 12 cheaper at 66p.

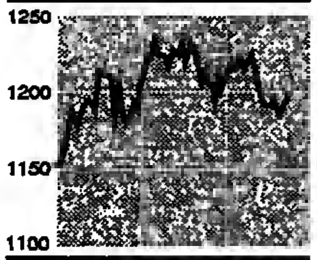
Automotiva distributor Trimoco gained 2¼ to 23¼p amid revived speculation that either tha Saudi Arabian Jameel organisation, a major shareholder, or the UK's Tom Cowie group was increasing its stake.

A maintained dividend compensated for lower annual profits from Readicnt and tbe stock improved 3¼ on recovery hopes to 54½p.

William Sinclair celebrated inclusion in the FT-Actuaries share indices by rising 21 to 281p, while H. Young went to tha highest this year of 63p, up 3, following a marked recovery in first-half profits.

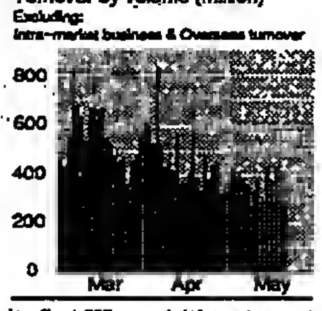
■ Other market statistics, including the FT-Actuaries share index and London Traded Options, Page 23

### FT-A All-Share Index




### Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover




## NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (75).
BRITISH FUNDS (7) Exch. 11pc 1991, Treas. 8pc 1991, Treas. 10pc 1992, Treas. 3pc 1992, Treas. 3pc 1992, Treas. 8¾pc 1993, Treas. 2pc IL 1992, BANKS (2) Banco Bilbao Vizcaya, Brown Shipley, BREWERS (2) Bulmer (HP), Macdonald Martin A, BUILDINGS (1) Berkeley, CHEMICALS (2) Caird, Plysu, STORES (2) Essex Furniture, OS, ELECTRICALS (3) Admiral, Druck, Radamec, ELECTRICITY (14) East Midlands, Eastern, London, Manweb, Midlands, National Power, Northern, Norweb, PowerGen, Seaboard, Southern, Sth. Wales, Sthn. Western, Yorkshire, FOODS (4) Banks (SC), Iceland Frozen, Nestle (Reg), Sims, INDUSTRIALS (18) Amberley, Amer. Bus. Sys., Astra B, Boxmore, Cowan de Groot, Grampian, Heemocell, Hays, Medeva, Sanders & Sidney, Sec. Archives, Serco, Sinclair (Wm), Stora B Free, Wolseley, Young (H), LEISURE (1) Euro Disney, MOTORS (2) Sanderson M. & E., Trimoco, PAPERS (1) Stat-Plus, TEXTILES (1) Lyles (S), TRUSTS (2) Archimedes Inc., Derby, Korea Europe, Medico Fd., Multitrust, Murray Inc., New Throg. Inc., Personal Assets, Tor Inc., MINES (7) Anglo Amer. Cons. Murch., Doornfontein, Impala Plat., Middle Wit., Siramar & Jack, Western Areas.
NEW LOWS (32).
BANKS (2) Ansbacher (H), Benchmark, Reflex Invs., BUILDINGS (4) Lawrence (W), Turriff, Watts Blake, Westminster Scaffldg., STORES (1) Upton & Sthn., ELECTRICALS (3) Alphameric, Pressac, Trace Comptrs., FOODS (1) Budgens, INDUSTRIALS (8) Apollo Metals, Apollo Watch Prods., Bilston & Battersea, Burndene, Hawthorn Leslie, Toggets, INSURANCE (1) Trade Indemnity, LEISURE (2) Cityvision, Grampian TV A, MOTORS (1) Caffyns, NEWSPAPERS (1) Haynes Publishg., PAPERS (1) Unit, PROPERTY (2) Clayform, Waterglade, TEXTILES (1) Aitch, TRUSTS (1) Renaissance Wrrnts., OILS (2) Allied Res., Teredo, MINES (4) Butte, East Rand Prop., Randex, Wit. Nigel.

## TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ADT | 1,000 | 74 | -1 | Dalgety | 2,800 | 382 | +9 | Manpower | 0 | 70 | | Slough Ests | 1,700 | 246 | +2 |
| ASDA Group | 3,200 | 111 | | De La Rue | 356 | 365 | +7 | Manweb | 210 | 260 | +10 | Smith (W.H.) A | 2,000 | 368 | -2 |
| Abbey National | 1,800 | 274 | +8 | Dixons | 788 | 198 | +2 | Marks & Spencer | 2,900 | 255 | +5 | Smith & Nephew | 7,400 | 124½ | +½ |
| Albert Fisher | 557 | 121 | | ECC Group | 17 | 424 | +8 | Maxwell Comms | 314 | 219 | -1 | SmKl Beecham | 2,400 | 788 | -5 |
| Allied-Lyons | 1,900 | 560 | +2 | Eastern Elect. | 764 | 199 | +9 | Midland Bank | 1,200 | 214 | | SmKl Beecham Uts | 509 | 3338 | -35 |
| Amstrad | 3,800 | 87 | -1 | East Midlands Elect. | 794 | 215 | +10 | Midlands Elect. | 1,000 | 218 | +8 | Smiths Inds. | 47 | 253 | |
| Anglian Water | 3,100 | 301 | +5 | Enterprise Oil | 3,100 | 522 | +7 | NatWest Bank | 3,000 | 317 | +7½ | Southern Elect. | 209 | 218 | +8 |
| Argos | 157 | 390 | +2 | Eurotunnel Units | 194 | 475 | +2 | National Power | 10,000 | 144½ | +8 | South Wales Elect. | 206 | 266 | +11 |
| Argyll Group | 427 | 287 | | FKI | 3,300 | 98 | | Next | 467 | 25½ | +½ | South West Water | 608 | 298 | -1 |
| Ass. Brit. Foods | 59 | 511 | +1 | Ferranti | 649 | 12 | +1 | North West Water | 1,200 | 305 | +6 | South West. Elect. | 80 | 219 | +7 |
| BAA | 139 | 434 | | Fisons | 2,900 | 465 | +3 | Northern Elect. | 270 | 219 | +6 | Southern Water | 147 | 268 | -4 |
| [illegible] | | | | | | | | | | | | | | | |
| Burmah Castrol | 204 | 849 | +7 | Laporte | 69 | 559 | -3 | Royal Insurance | 119 | 439 | +5 | Wessex Water | 139 | 337 | |
| Burton | 1,300 | 78 | -½ | Legal & General | 193 | 425 | | Saatchi | 1,200 | 18¾ | | Whitbread 'A' | 378 | 404 | +2 |
| Cable & Wire. | 1,500 | 522 | -2 | Lloyds Abbey | 646 | 309 | | Sainsbury | 1,600 | 380 | +8 | Wiggins Teape | 1,200 | 236 | +9 |
| Cadburys | 1,000 | 389 | +8 | Lloyds Bank | 981 | 533 | +2 | Scottish & Newc. | 644 | 397 | +8 | Williams Hldgs. | 584 | 289 | +1 |
| Calor Group | 94 | 209 | -1 | LASMO | 738 | 340 | -1 | Sears | 4,000 | 84 | +½ | Willis Corroon | 308 | 303 | +7 |
| Carlton Comms. | 10 | 431 | | London Elect. | 486 | 215 | +8 | Sedgwick | 778 | 243 | -1 | Wimpey | 6,000 | 207 | -2 |
| Coats Viyella | 852 | 145 | +1 | Lonrho | 857 | 238 | +2 | Seeboard | 1,200 | 213 | +10 | Yorkshire Elect. | 321 | 240 | +9 |
| Comm. Union | 301 | 498 | +4 | Lucas | 759 | 159 | +2 | Severn Trent Water | 5,200 | 280 | +6 | Yorkshire Water | 186 | 326 | +1 |
| Cookson | 3,400 | 121½ | +1½ | MB Caradon | 52 | 220 | | Shell Transport | 2,500 | 513 | -1 | | | | |
| Courtaulds | 1,700 | 379 | -5 | MEPC | 574 | 510 | | Siebe | 375 | 398 | | | | | |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

## EQUITY FUTURES AND OPTIONS TRADING

STOCK INDEX futnras continned to edgs gently higher yesterday, with derivative markets still besltant abont providing a stronger lead for the stock market.

The FT-SE futures contracts were driven up as independent traders covered short positions and institutions added to their holdings. Bnying interest, however, was modest and futures only briefly led the stock market in the morning.

During the rest of tha session, it was a strong performance on Wall Street which led the market bigber. One indication of the futnrea market's uncsrtainty abont the immediate ontlook for UK shares was the premium which it held to the stock market.

For mnch of the day, the June FT-SE 100 index traded at just 4 to 5 points over the spot FT-SE index. But brokers calculate that June should be 9 points above the spot index, to compensate for future dividend payments and the cost of finance.

At the close, June was at 2,488, up 9 points on the day. June's premium to the spot index ended at 8 points, following soma late buying by independent traders.

The equity market'e rally was partly smothered by the traded options market, where one securities house bought puts and sold calls. The August 2,600 puts were the busiest.

## LONDON SHARE SERVICE

### BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

### BRITISH FUNDS – Contd

| 1991 High | 1991 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 98⅛ | 92½ | Treas 9¾pc 2002 | 96 | +⅛ | 10.16 | 10.35 |
| 100½ | 94½ | Treas 10pc 2003 | 97½ | +⅛ | 10.25 | 10.32 |
| 108¼ | 102 | Treas. 11½pc 2001-04 | 105½ | +⅛ | 10.88 | 10.54 |
| 58½ | 53½ | Funding 3½pc '99-04 | 57½ | +⅛ | 6.09 | 9.11 |
| 97½ | 90½ | Conversion 9½pc 2004 | 94½ | +⅛ | 10.07 | 10.26 |
| 97¼ | 90½ | Conversion 9½pc 2005 | 94½ | +⅛ | 10.07 | 10.24 |
| 118¼ | 111 | Treas. 12½pc 2003-05 | 114½ | +⅛ | 10.92 | 10.38 |

Over Fifteen Years

| 1991 High | 1991 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 85½ | 79½ | Treas. 8pc 2002-06‡‡ | 82¾ | +⅛ | 9.67 | 10.23 |
| 112½ | 105½ | Treas. 11¾pc 2003-07 | 109½ | +⅛ | 10.76 | 10.35 |
| 90½ | 84 | Treas 8½pc 2007 ‡‡ | 87½ | +⅛ | 9.74 | 10.10 |
| 125¾ | 118 | Treas. 13½pc '04-08 | 121½ | +⅛ | 11.07 | 10.34 |
| [illegible] | | | | | | |

Five to Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1990: 129.3 and for April 1991: 133.1.

### INT. BANK AND O'SEAS

| 1991 High | 1991 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 102 | 95½ | African Dv Bk 11¼Ln 2010 | 99⅝ | +⅛ | 11.20 | 11.21 |
| 97⅜ | 91⅞ | Asian Dev Bk 10¼pcLn2009 | 94⅞ | -⅛ | 10.89 | 10.86 |
| 112⅞ | 105½ | Inter-Am Dev Bk 12¼pc 2003 | 109⅞ | +⅛ | 11.41 | 11.01 |
| 92⅞ | 86⅞ | Do. 9¼pcLn 2015 | 89⅞ | +⅛ | 10.84 | 10.94 |
| 121 | 101 | Intl. Mexican States 16½pc 2008 | 121 | ..... | 13.64 | 13.34 |

### CORPORATION LOANS

| 1991 High | 1991 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 103½ | 100½ | Birmingham 11½pc 2012 | 100½ | ..... | 11.44 | 11.44 |
| 96½ | 93½ | GLC 6¾pc 1990-92 | 96½ | ..... | 6.99 | 11.20 |
| 115¼ | 110½ | Leeds 13½pc 2006 | 113½ | ..... | 11.89 | 11.62 |
| 30 | 28 | Liverpool 3½pc Irred. | 30 | ..... | 11.67 | — |
| [illegible] | | | | | | |

### COMMONWEALTH & AFRICAN LOANS

[illegible]

### LOANS

Building Societies

[illegible]

Public Board and Ind.

| 1991 High | 1991 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 53 | 52 | Met. Wtr. 3pc 'B' | 52 | ..... | 5.77 | 9.70 |

### FOREIGN BONDS & RAILS

| 1991 High | 1991 Low | Stock | Price £ | + or – | Div % Gross | Red. Yield |
|---|---|---|---|---|---|---|
| 50 | 50 | Greek 7pc Ass. | 50 | ..... | 3.50 | 17.00 |
| 50 | 50 | Do. 6pc 28 Stb. Ass. | 50 | ..... | 3 | 16.00 |
| 50 | 50 | Do 4pc Mixed Ass. | 50 | ..... | 2 | 14.00 |
| 55 | 55 | Hung. '24 Ass. | 55 | ..... | 2.75 | 15.57 |
| 128 | 120 | Hydro Quebec 15pc 2011 | 124 | +1 | 12.89 | 11.84 |

Continued on next page

## APPOINTMENTS

# President of Coutts Trust

■ Mr Peter ap G. Stradling has been appointed president and managing director of COUTTS & CO TRUST HOLDINGS, Douglas, Isle of Man, formerly the NatWest International Trust Corporation Group.

The company is NatWest's international private banking snbsidiary, and controls finance and trust companies in Douglas, the Channel Islands, Switzerland, Gibraltar, the Bahamas, the Cayman Islands and Uruguay.

Mr Stradling was president of NatWest International Trust Corporation (Europe), the group's European division.

Mr Christopher Tummon has been appointed managing director of Coutts & Co's office in Douglas. He was deputy managing director of the Jersey office.

■ Following a management buy-out at SIEBERT/HEAD Mr John Braddell has been appointed non-executive chairman. He is chairman of Storehouse subsidiaries Richards, and Blazer, and was previously associated with Siebert/Head as group development director at WRCS Group (now Aegis group), former owner of Siebert/Head. Mr Neil Smallwood has joined the board as non-executive finance director.

■ Mr Roger Boardman has been elected president of THE ASSOCIATION OF THE ELECTRONICS, TELECOMMUNICATIONS AND BUSINESS EQUIPMENT INDUSTRIES. He is director of external affairs for GPT, and previously was director of marketing at Plessey.

■ Mr Lawrence Urquhart has been appointed a non-executive director of ECC GROUP from June 1. He is chairman and chief executive of Burmah Castrol, and a director of other companies.

■ Mr Sean Hicks has been appointed regional director of WILLIS WRIGHTSON NORTH, Leeds.

■ Sir Crispin Tickell has been appointed to the board of THE MEXICAN HORIZONS INVESTMENT COMPANY, a closed-ended company advised by John Govett & Co. He was British ambassador to the UN until last year and was previously ambassador to Mexico. Sir Crispin is warden of Green College, Oxford, and president of the Royal Geographical Society.

■ TICKFORD, Milton Keynes, has appointed Mr Steven Hanlon to the new post of marketing director. He was head of sales and marketing at Coleman Milne.

JONES LANG WOOTTON FINANCIAL SERVICES has appointed Mr Rupert Clarke *(pictured)* as managing director. He was a real estate financier with Chase Manhattan Bank, and a founder and managing director of Woolgate Property Finance.

■ Mr William Murphy, aviation X/L underwriter, has been appointed a director of POLYGON INSURANCE COMPANY (UK). The company is a subsidiary of Polygon Insurance Co based in Guernsey, and is ultimately owned by KLM Royal Dutch Airlines, Scandinavian Airline System, and Swissair.

■ LAWSON MARDON FLEXIBLE SEFTON LANE, Merseyside, has appointed Mr Rod Higgins as manufacturing director. He also joins the board of Lawson Mardon Flexible. He was production director, LMG Cambridge.

■ Mr Cliff Pocock has been appointed managing director of COMMERCIAL LOAN SERVICES, succeeding Mr Bill Daysh who becomes chairman. Mr Pocock was marketing manager, asset finance, at 3i.

■ Mr Gary Cusworth has joined COGNOS as director of IBM products in the market development group. He was sales and marketing director of Imrex Systems.

■ TANTUS has appointed Mr Lewis Sinclair McGill as non-executive director. He is a fomer executive director of The Royal Bank of Scotland.

■ Mr Malcolm Gibbs has been appointed managing director of WEBASTO SCHADE, Birmingham. He was engineering and marketing director of Tudor Webasto, and succeeds Mr Geoff Chapman who becomes managing director of Tudor Websato. Mr Gibbs continues as marketing director of Tudor Webasto.

# LONDON SHARE SERVICE

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## AMERICANS

## CANADIANS

## BANKS, HP & LEASING

### Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS — Contd

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## DRAPERY AND STORES — Contd

## ELECTRICALS

## ELECTRICITY

## ENGINEERING

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS (Miscel.) — Contd

## INDUSTRIALS (Miscel.) — Contd

## INSURANCES

# LONDON SHARE SERVICE

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## LEISURE

[illegible]

## MOTORS, AIRCRAFT TRADES

[illegible]

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRANSPORT

[illegible]

## TRANSPORT—Contd

[illegible]

## INVESTMENT TRUST

[illegible]

## INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

## FINANCE, LAND, ETC

[illegible]

## WATER

[illegible]

## OIL AND GAS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

| 1991 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 78 | 50 | Joel (H.J.) Gold 1c | 68 | +8 | – | – | – |
| 140½ | 78 | Loraine R1 | 94 | –4 | – | – | – |
| 521 | 345 | St. Helena R1 | 450 | +11 | Q280c | 1.6 | 12.7 |
| 262 | 139 | Unisel | 217 | +11 | ‡Q76c | 1.9 | ‡ |

### Diamond and Platinum

| 1991 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| £16 | £10½ | Anglo Am. Inv. 5c | £16 | +1 | Q380c | 1.0 | 4.0 |
| 33½ | 20 | Barplats Mines R3.51 | 21 | | – | – | – |
| £13¾ | 945 | De Beers Linked Units | £13¼ | –⅛ | Q95.3c | 2.2 | 4.4 |
| 312 | 275 | Do. 40pc Pf. R5 | 312 | | Q200c | x | 13.0 |
| 1166 | 604 | Impala Plat. 20c | 1166 | +17 | Q250c | 2.9 | 4.4 |
| 935 | 625 | Lydenburg 12½c | 925 | –10 | †Q180c | 1.3 | 4.0 |
| 434 | 269 | Northam Platinum | 429 | –5 | – | – | – |
| 1384 | 771 | Rus. Plat. 10c | 1346 | –14 | Q310c | 1.4 | 4.7 |

### Central African

| 1991 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 28 | 17 | Falcon Z50c | 18 | | – | – | – |
| 18 | 17 | Wankie Col. Z$1 | 18 | | Q15c | ♦ | 15.8 |
| 88 | 80 | [illegible]'s Cons. 50p | 80 | | 2.0 | 8.4 | 5.3 |
| 44 | 40 | Do. Pfd. 1p | 40 | | 2.0 | – | 6.7 |
| 19 | 15 | Zam. Cpr. SBD0.24 | 18 | | – | – | – |

### Finance

| 1991 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | £12¼ | Ang. Am. Coal 50c | £20¾ | –¼ | Q425c | ♦ | 4.2 |
| [illegible] | £13 | Anglo Amer. 10c | £18¾ | –⅛ | Q325c | 2.0 | 3.7 |
| £40 | £29¾ | Ang. Am. Gold R1 | £35¼ | +1½ | Q775c | 1.0 | 4.4 |
| [illegible] | 13 | Anglo Pacific Res. | 15 | | – | – | – |
| [illegible] | 662 | Anglovaal 5c | 925 | –37 | Q92c | 3.1 | 2.0 |
| [illegible] | 270 | Antofagasta Hldgs. | 510 | | Q19.0 | 4.0 | 3.7 |
| [illegible] | 60 | Do. 5pc Cum Prf £1 | 60 | | Q4.9 | – | 8.2 |
| [illegible] | 45 | Cluff Res. | 46 | | 1.0 | 1.8 | 2.9 |
| [illegible] | 1½ | Do. Warrants | 1½ | | – | – | – |
| [illegible] | 70 | Gencor 10c | 92 | –3 | †Q27½c | 1.0 | 6.1 |

[illegible]

### Australians

[illegible]

## MINES—Contd

[illegible]

| 1991 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 70 | 49 | Pasminco | 59 | –2 | – | – | – |
| 0½ | 0¼ | Pelsart Res. | 0¼ | | – | – | – |
| 113 | 106 | Placer Pac. 30cts | 112 | –5 | – | – | – |
| 26 | 8 | Precious Metal Aus. 25c | 26 | | – | – | – |
| 323 | 240 | Renison 50c | 280 | –8 | Q34c | 1.9 | 5.8 |
| 1½ | 0¼ | Samson Exploration | 1¼ | | – | – | – |
| 242 | 178 | Sons Gwalia NL | 205 | –5 | sQ60c | 1.9 | 14.2 |
| 22 | 13 | Southern Pacific | 20 | +1 | – | – | – |
| 2 | 1¼ | Spargos | 1½ | | – | – | – |
| 5 | 3 | Stockbridge Ltd. | 3½ | | – | – | – |
| 0¼ | 0¼ | Swan Res 20c | 0¼ | | – | – | – |
| 241 | 153 | Westn. Mining 50c | 231 | –3 | †Q30c | 1.8 | 6.0 |
| 3 | 0½ | Westralian Res Pra. 20c | 0½ | | – | – | – |

### Tins

| 1991 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 25 | 20 | Ayer Hitam SM1 | 20 | | Q17½c | – | 18.9 |
| 65 | 45 | Gopeng Berhad M$0.50 | 65 | | Q5c | ♦ | 3.7 |
| 54 | 27 | Malaysia Mng. 10c | 49d | | Q5c | ♦ | 2.2 |
| 150 | 130 | Petaling SM1 | 150 | | Q180c | – | 26.0 |

### Miscellaneous

| 1991 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | 38 | Anglesey Mining 5p | [illegible] | | – | – | – |
| [illegible] | 28 | Andaman Resources | [illegible] | | – | – | – |
| [illegible] | 6¼ | Anglo-Dominion | [illegible] | | – | – | – |
| [illegible] | 6 | Barmine Exploration | [illegible] | | – | – | – |
| [illegible] | 8 | Buttle Mining 10p | [illegible] | | – | – | – |
| [illegible] | 14 | Celtic Gold | [illegible] | +1 | – | – | – |
| [illegible] | 5 | Colby Mines | [illegible] | | – | – | – |
| [illegible] | 24 | Cons. Murch. 10c | [illegible] | +2 | Q30c | 5.5 | 19.1 |
| [illegible] | 2 | DRX Inc. | [illegible] | | – | – | – |

[illegible]

| 1991 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 46 | 36 | Kells Mins. Ir5p | 57 | | – | – | – |
| 25 | 9 | Kenmare | 16½ | +½ | – | – | – |
| 18 | 15 | Navan Resources | 18 | | – | – | – |
| 13 | 7 | New Sabina Res C$1 | 10 | | – | – | – |
| 99 | 52 | Northgate Expl. C$1 | 59 | | – | – | – |
| 16 | 10 | North West Expln. | 12 | | – | – | – |
| [illegible] | 2¼ | Nor-Quest Res. | 10 | | – | – | – |
| [illegible] | 82 | Oryx Gold Hldgs. | 91½ | | – | – | – |
| [illegible] | 11 | Ovoca Gold IR 2p | 16 | | – | – | – |
| [illegible] | 36 | Plateau Mining 20p | 36 | | – | – | – |
| [illegible] | 404 | RTZ 10p | 528 | +1 | 19.5 | 2.2 | 4.9 |
| [illegible] | 3¼ | Thorco Res. Inc. $ | 9 | | – | – | – |
| [illegible] | 6 | Vizcaya Hldgs 5p | 6 | | – | – | – |
| [illegible] | 120 | Young Group 10p | 127 | | 5.2 | ♦ | 5.5 |

### NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Craig & Rose £1 | 650 | ...... |
| Finlay Pkg. 5p | 29 | ...... |
| Holt (Jos) 25p | 1025 | ...... |
| Helton Hldgs. | 43 | ...... |
| IRG | 145 | ...... |
| United Drug | 160 | ...... |

### IRISH

| | | |
|---|---|---|
| Cap. 8½% Ln. 1991 | £99¼ | ...... |
| 9pc Cap Ln. 1996 | £98½ | ...... |
| Fin. 13% 97/02 | £114¼ | ...... |
| Arnotts | 160¼ xd | ...... |

## TRADITIONAL OPTIONS

3-month call rates

### Industrials

| | p |
|---|---|
| Allied-Lyons | 46 |
| Amstrad | 7 |
| Astec (BSR) | 6 |
| BAT | 68 |
| BOC Grp. | 31 |
| BTR | 35 |
| Barclays | 38 |
| Blue Circle | 24 |
| Boots | 30 |
| Bowaters | 53 |
| Brit. Aerospace | 56 |
| British Steel | 12 |
| Brit. Telecom | 29 |
| Cadburys | 33 |
| Charter Cons. | 45 |
| Comm Union | 44 |
| Courtaulds | 32 |
| Eurotunnel | 58 |
| FKI | 6 |
| FNFC | 20 |
| Gen Accident | 48 |
| GEC | 17 |
| Glaxo | 80 |
| Grand Met. | 62 |
| Guardian | 19 |
| GKN | 31 |
| Hanson | 19 |
| Hawker Sidd. | 39 |
| ICI | 80 |
| Ladbroke | 22 |
| Legal & Gen. | 36 |
| Lex Service | 20 |
| Lloyds Bank | 30 |
| Lucas Inds. | 13 |
| Marks & Spencer | 21 |
| Midland Bk. | 10 |
| Nat West Bk. | 27 |
| P & O Dfd. | 51 |
| Racal Elect. | 10 |
| RHM | 28 |
| Rank Org Ord. | 63 |
| Rainers | 17 |
| Reed Intel. | 36 |
| Sears | 8½ |
| SmKl. Beecham A | 58 |
| TI | 45 |
| TSB | 12 |
| Tesco | 21 |
| Thorn EMI | 64 |
| Trust Houses | 23 |
| T&N | 15 |
| Unilever | 60 |
| Vickers | 19 |
| Wellcome | 40 |

### Property

| | |
|---|---|
| Brit Land | 30 |
| Control Secs. | 5 |
| Land Securities | 45 |
| MEPC | 48 |
| Mountleigh | 11½ |

### Oils

| | |
|---|---|
| Aviva Petlm. | 5 |
| Brit Petroleum | 28 |
| Burmah Castrol | 49 |
| Conroy Petlm. | 10 |
| Gaelic Res. | 1 |
| Premier | 6 |
| Shell | 41 |
| Tuskar Res. | 2 |
| Ultramar | 30 |

### Mines

| | |
|---|---|
| Lonrho | 21 |
| RTZ | 48 |

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per m and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring 071

## AUTHORISED UNIT TRUSTS

[illegible]

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

مكتبة من الأصل

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

**Stewart Ivory Unit Tst Mgrs Ltd (1500)H**
45 Charlotte Sq, Edinburgh 031-226 3271

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| American ♦ | 5 | 289.7 | 289.7 | 309.4 | -0.5 | 1.39 |
| (Accum Units) ♦ | 5 | 338.9 | 338.9 | 361.9 | -0.6 | 1.39 |
| British ♦ | 6 | 791.3 | 791.3 | 837.1 | +4.6 | 5.75 |
| (Accum Units) ♦ | 5 | 1266.8 | 1266.8 | 1340.1 | +7.3 | 5.75 |
| European ♦ | 5 | 329.0 | 329.0 | 350.4 | -1.0 | 1.51 |
| (Accum Units) ♦ | 5 | 352.6 | 352.6 | 375.6 | -1.1 | 1.51 |
| Japan ♦ | 5 | 117.9 | 117.9 | 125.3 | -2.2 | — |
| (Accum Units) ♦ | 5 | 118.8 | 118.8 | 126.3 | -2.2 | — |
| New Pacific ♦ | 5 | 169.2 | 169.2 | 179.7 | -4.0 | 2.11 |
| (Accum Units) ♦ | 5 | 170.5 | 170.5 | 181.1 | -4.0 | 2.11 |
| PEP | 5 | 131.6 | 133.7 | 141.5 | | 3.57 |
| Mngd Equity | 5 | 118.5 | 120.4 | 127.4 | | 5.66 |
| Mngd Equity Acc | 6 | 122.6 | 124.6 | 131.8 | | 5.66 |
| Mngd Cash ♦ | 5 | 96.54 | 96.54 | 101.9 | | 11.94 |
| (Accum Units) | 5 | 111.0 | 111.8 | 117.4 | | 11.94 |
| Mngd Fixed Int Acc | 5 | 118.2 | 118.2 | 125.2 | | 6.68 |
| Majority Stlg | 1 | 100.47 | 100.47 | 101.47 | +0.04 | 11.54 |
| Majority Stlg Acc | 1 | 103.28 | 103.28 | 104.31 | +0.04 | 11.54 |

**Stanbrand Intl Inv Mngrs Ltd (1200)F**
Admiral & Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| International May 15 | 0 | 49.98 | 49.90 | 50.38 | | 13.43 |

**Sun Alliance Unit Tst Mngmt Ltd (1200)F**
Sun Alliance House, Horsham 0403 56293

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| Equity | 6 | 584.6 | 592.4 | 633.6 | +2.0 | 3.47 |
| North America | 6 | 74.21 | 74.21 | 79.37 | -1.3 | 1.10 |
| Far East | 6 | 94.04 | 95.18 | 101.8 | -2.3 | 0.81 |
| W'wide Bond | 6 | 45.58 | 45.58 | 48.47 | -0.5 | 6.13 |
| W'wide Financial | 6 | 34.23 | 34.23 | 36.61 | -0.30 | 3.46 |
| W'wide Technology | 6 | 40.78 | 40.78 | 43.61 | -0.26 | 0.97 |
| European | 6 | 65.97 | 65.97 | 70.56 | +0.21 | 1.35 |
| Equity Income | 6 | 70.14 | 70.14 | 75.02 | +0.09 | 5.42 |

**Edinburgh Fund Mngrs PLC**
Exempt Funds

| | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|
| American May 22 | 150.0 | 154.1 | -4.2 | 1.62 |
| Managed May 22 | 140.8 | 146.1 | -0.8 | 3.94 |
| Japan May 16 | 120.2 | 123.6 | -3.3 | 0.08 |
| Sm Jap Cos May 17 | 572.7 | 588.4 | -34.4 | 0.08 |

**Fidelity Investment Services Ltd**

| | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|
| Mngd Pens P'folio | 128.7 | 133.0 | | 3.83 |

**Robert Fleming Asset Mngmt Ltd**

| | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|
| Am Exempt | £452.80 | 459.58 | -1.54 | 1.70 |
| Gen Exempt | £129.10 | 132.01 | +0.29 | 3.79 |
| Jap Exempt | £486.06 | 495.95 | -3.18 | 0.91 |
| Pacific Exempt | £100.50 | 102.58 | +1.69 | 2.38 |
| Contl Euro Exempt | £96.61 | 98.50 | +0.21 | 2.25 |
| Indexed Exempt May 16 | £125.21 | 128.33 | | 4.09 |
| Amer Indxd Expt May 16 | £97.62 | 98.60 | | 3.04 |
| Japan Indxd Expt May 16 | £66.30 | 67.62 | | 0.72 |
| Euro Indxd Expt May 16 | £95.24 | 97.15 | | 2.89 |
| Pacific Indxd Expt May 16 | £96.85 | 98.979 | | 2.22 |

**Funds in Court***

| | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|
| Capital May 1 | 503.22 | 506.98 | | 2.49 |
| Gross May 1 | 190.86 | 192.40 | | 9.62 |
| High Yield May 1 | 297.94 | 300.35 | | 6.86 |

* Restricted to monies under Court control

**Henderson Unit Trust Management Ltd**

| | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|
| Pension Mngd | 51.64 | 52.72 | +0.28 | 3.79 |

**INVESCO MIM Management Ltd**
Exempt Funds

## INSURANCES

## OTHER UK UNIT TRUSTS

Continued on next page

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### N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Life Managed Fd | 104 5 | 110 0 | -0 1 | - |
| Pension Managed Fd | 102 2 | 107.5 | +0.6 | - |
| Life Deposit Fd | 106 8 | 112 4 | | - |
| Pension Deposit Fd | 111.8 | 117.7 | +0.1 | - |

### National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 2XJ 0296 395539

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Managed Cautionary | 108 6 | 119 4 | +0 1 | - |
| Managed Growth | 135 | 148 6 | +0.4 | - |
| Managed Opportunity | 136.5 | 150 9 | +0 1 | - |
| NFMC Target Financial | 99.3 | 106.8 | -0 1 | - |
| **Pension Funds** | | | | |
| Managed Cautionary | 118 8 | 129 9 | -0.4 | - |
| Managed Growth | 142.6 | 156.7 | +0 4 | - |
| Managed Opportunity | 137 2 | 151 2 | +0 6 | - |
| NFMC Target Mngd Pens | 1471 6 | 1599 6 | -2 4 | - |

### National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Harvester Pension Funds** | | | | |
| Managed | 159 7 | 168 2 | | - |
| UK Equity | 166 6 | 175 4 | ...... | - |
| Overseas Equity | 134 5 | 141.6 | | - |
| Fixed Interest | 143 8 | 150 6 | | - |
| Property | 129 8 | 136.7 | | - |
| Index Linked | 147 9 | 155 7 | | - |
| Deposit | 155.5 | 163 7 | | - |
| With Profits (8) | 127 0 | 134 5 | | - |

### National Provident Institution
48 Gracechurch St, London EC3P 3NH 071-623 4200

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed | 347 9 | 366.3 | -0.2 | - |
| UK Equity | 437.6 | 460 7 | +1.2 | - |
| Overseas Eq | 343 8 | 361 9 | -2 0 | - |
| Americas | 276 7 | 291 E | -4 1 | - |
| Far East | 376 8 | 396.7 | -2.6 | - |
| Property | 194 1 | 204 4 | +0.1 | - |
| Fixed Int | 256 2 | 269.7 | +0.5 | - |
| Indexed Gilt | 154 4 | 162 6 | .. | - |
| Deposit | 180 0 | 190.4 | | - |
| **Pension Fund (Accum Units)** | | | | |
| Managed | 491 1 | 517.0 | -0.8 | - |
| UK Equity | 576.5 | 606 9 | +1.6 | - |
| Overseas Eq | 569.9 | 599 9 | -6 6 | - |
| Americas | 359 2 | 378.2 | -7 1 | - |
| Far East | 618 3 | 650 9 | -11 6 | - |
| Property | 244 9 | 257.8 | +0 1 | - |
| Fixed Int | 314.3 | 330 9 | +0.5 | - |
| Indexed Gilts | 169.9 | 178 9 | | - |
| Deposit | 252 9 | 266 3 | +0 1 | - |
| **NPI Pensions Management Ltd** | | | | |
| Managed Fund | 1092.2 | 1111 7 | ... | - |

Prices May 1 Next dealing June 5

### Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 622200

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **NUAM Funds** | | | | |
| Managed Fund | 71.1 | 74.8 | -0 1 | - |
| Stock Market Mngd Fund | 69 8 | 73 5 | -0.2 | - |
| Equity Fund | 77.6 | 81.7 | +0 2 | - |
| International Fund | 65 0 | 68.3 | -0 7 | - |
| European Fund | 64 2 | 67 5 | -0 1 | - |
| North American Fund | 71.0 | 74 7 | -1.2 | - |
| Pacific Fund | 69 8 | 72.7 | -1.2 | - |
| Property Fund | 82.6 | 86 9 | | - |
| Fixed Interest Fund | 57.8 | 60 8 | +0 1 | - |
| Index linked Sec Fund | 62.0 | 65.3 | .. | - |
| Deposit Fund | 69.4 | 73.1 | .. | - |
| **NUAM Retirement Plans** | | | | |
| Mixed Fund | 77.9 | 82.0 | .. | - |
| UK Ordinary Share Fd | 90.5 | 95.2 | +0 4 | - |
| International Fund | 67 4 | 70.9 | +0 7 | - |
| Property Fund | 82.4 | 86 8 | -0 1 | - |
| Fixed Interest Fund | 70.2 | 73 9 | +0 1 | - |
| Index Linked Sec Fund | 65 8 | 69 3 | .. | - |
| Deposit Fund | 81.9 | 86.2 | .... | - |
| **NUAM (MF)** | | | | |
| Managed Fund | 1002.1 | 1054 9 | -0 8 | - |
| Equity Fund | 2124 1 | 2235 9 | +7.2 | - |
| International Fund | 166.6 | 175.4 | -1.9 | - |
| Property Fund | 523.9 | 551.5 | +0.1 | - |
| Fixed Interest Fund | 433.5 | 456 4 | +0 6 | - |
| Index Linked Sec Fund | 63.2 | 66.6 | .... | - |
| Deposit Fund | 285.7 | 300 8 | ..... | - |

### Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Unitised Life** | | | | |
| With Profits Fd | 111.82 | 117 71 | +0 03 | - |
| Managed Fd | 96.90 | 102.00 | -0 19 | - |
| UK Ord Share Fd | 102.24 | 107.62 | +0.27 | - |
| International Fd | 92.01 | 96.86 | -1 00 | - |
| European Fd | 88.11 | 92.75 | -0.09 | - |
| North American Fd | 98.58 | 103 77 | -1 49 | - |
| Pacific Fd | 83.17 | 87.54 | -1.79 | - |
| Property Fd | 94 81 | 99.80 | +0.01 | - |
| Fixed Int Fd | 102.33 | 107.72 | +0 16 | - |
| Intl Bond Fd | 102.10 | 107.47 | -0 87 | - |
| Deposit Fd | 112.22 | 118.13 | +0.03 | - |
| **Unitised Pensions** | | | | |
| With Profits Fd | 150.14 | 158 04 | +0 05 | - |

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## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# D-Mark gains against dollar

THE DOLLAR weakened and the D-Mark had a firmer tone after intervention by the German Bundesbank and Swedish Central Bank.

Both central banks sold dollars against the D-Mark yesterday morning in Europe, to counter trends caused by Sweden's recent decision to delink the krona from a basket currencies in which the dollar had a large weighting.

The Swedish currency is now linked to the European currency unit, creating a situation where traders who had run short dollar positions against the krona, because of Stockholm's interest rate advantage over Naw York, have been forced to cover.

This buying of dollars had an adverse impact on the D-Mark, reflecting the high liquidity of the German currency compared with other Ecu linked units.

The D-Mark therafore suffered as a result of the Swedish move, but this trend was coming to an end yesterday as most positions had already been unwound.

Dealers said the move was well timed, with the dollar already in decline. The intervention hy the Bnndesbank and Swedish Central Bank therefore had a strong impact, accelerating the fall.

After intervention on the open market the Bundesbank also sold $17.3bn at the Frankfurt fixing, wben the dollar rose to DM1.7157 from DM1.7030 on Friday. The German market was closed on Monday for the Whitsun holiday.

At the London close the dollar had fallen to DM1.7115 from DM1.7280; to Y137.40 from Y138.20; to SFr1.4480 from SFr1.4580; and to FFr5.8075 from FFr5.8625. On Bank of England figures the US currency declined to 65.8 from 66.4.

The D-Mark gained ground against the Japanese yen, rising to Y80.30 from Y79.95, but was little changed within the European exchange rate mechanism.

There was also little reaction to a general easing of European intererst rates. Long dated money market rates eased in Madrid, amid speculation that yields will fall at tomorrow's one-year Spanish Treasury bill tender, but the peseta held strong at the top of the ERM.

The average rate fell at the the the Bank of Italy's repurchase tender, longer term London wholesale rates eased, and the average yield on Belgian three-month Treasury hills declined, but the lira, sterling and the Belgian franc were second, third and fourth strongest in the ERM.

In Copenhagen the Danish Central Bank announced a cut in its discount rate to 9 from 9½ per cent and in other important official interest rates, because of sluggish growth in the economy.

Sterling rose 1¾ cents to $1.7365. The pound also advanced to DM2.9725 from DM2.9700; to FFr10.0850 from FFr10.0775; to SFr2.5150 from SFr2.5075; and to Y238.50 from Y237.50. Its index climbed 0.3 to 92.0.

### £ IN NEW YORK

| May.21 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.7375-1.7385 | 1.7165-1.7175 |
| 1 month | 0.90-0.88pm | 0.92-0.91pm |
| 3 months | 2.32-2.29pm | 2.32-2.29pm |
| 12 months | 6.98-6.88pm | 6.98-6.88pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | May.21 | Previous |
|---|---|---|
| 8.30 am | 91.7 | 91.6 |
| 9.00 am | 91.7 | 91.4 |
| 10.00 am | 91.8 | 91.5 |
| 11.00 am | 92.0 | 91.5 |
| Noon | 92.0 | 91.5 |
| 1.00 pm | 92.0 | 91.6 |
| 2.00 pm | 92.0 | 91.8 |
| 3.00 pm | 91.9 | 91.8 |
| 4.00 pm | 92.0 | 91.7 |

### CURRENCY MOVEMENTS

| May 21 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 92.0 | -20.4 |
| U.S Dollar | 65.8 | -12.5 |
| Canadian Dollar | 105.3 | -42.6 |
| Austrian Schilling | 108.6 | +10.9 |
| Belgian Franc | 110.2 | -2.9 |
| Danish Krone | 108.6 | +3.2 |
| D-Mark | 116.4 | +22.9 |
| Swiss Franc | 112.4 | +21.5 |
| Dutch Guilder | 112.9 | +15.1 |
| French Franc | 101.9 | -13.9 |
| Lira | 98.7 | -19.8 |
| Yen | 135.9 | +67.4 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for May.20

### CURRENCY RATES

| May 21 | Bank ‡ rate % | Special * Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | - | 0.784096 | 0.692862 |
| U.S Dollar | 6.00 | 1.33414 | 1.20108 |
| Canadian $ | 9.22 | N/A | 1.37968 |
| Austrian Sch | 7 | N/A | 14.4886 |
| Belgian Franc | 10.50 | N/A | 42.3620 |
| Danish Krone | 9 | N/A | 7.86525 |
| D-Mark | 6.50 | N/A | 2.05925 |
| Dutch Guilder | 7.75 | N/A | 2.31976 |
| French Franc | 10¼ | N/A | 6.98606 |
| Italian Lira | 11½ | 1730.11 | 1528.37 |
| Japanese Yen | 6 | 185.045 | 165.388 |
| Norway Krone | 8 | N/A | 8.01538 |
| Spanish Peseta | - | N/A | 127.932 |
| Swedish Krona | 10.00 | N/A | 7.38362 |
| Swiss Franc | 6.00 | N/A | 1.74336 |
| Greek Drach | 19 | N/A | 225.490 |
| Irish Punt | - | N/A | 0.769083 |

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations * All SDR rates are for May.20

### OTHER CURRENCIES

| May 21 | £ | $ |
|---|---|---|
| Argentina | 17065.3 - 17074.9 | 9860.00 - 9870.00 |
| Australia | 2.2345 - 2.2366 | 1.2885 - 1.2895 |
| Brazil | 476.00 - 476.86 | 275.40 - 275.70 |
| Finland | 6.9860 - 6.9930 | 4.0270 - 4.0300 |
| Greece | 321.65 - 328.00 | 187.35 - 191.15 |
| Hong Kong | 13.4780 - 13.4915 | 7.7895 - 7.7915 |
| Iran | 119.10* | 68.00* |
| Korea(Sth) | 1225.10 - 1244.90 | 722.50 - 728.30 |
| Kuwait | N/A | N/A |
| Luxembourg | 61.15 - 61.25 | 35.20 - 35.30 |
| Malaysia | 4.7715 - 4.7795 | 2.7600 - 2.7620 |
| Mexico | 5163.00 - 5183.35 | 2987.00 - 2997.00 |
| N.Zealand | 2.9470 - 2.9520 | 1.7000 - 1.7020 |
| Saudi Ar. | 6.4885 - 6.5015 | 3.7490 - 3.7510 |
| Singapore | 3.0600 - 3.0675 | 1.7700 - 1.7720 |
| S.Af (Cm) | 4.8485 - 4.8600 | 2.8040 - 2.8055 |
| S.Af (Fn) | 5.6460 - 5.7370 | 3.2570 - 3.3115 |
| Taiwan | 47.30 - 47.40 | 27.30 - 27.35 |
| U.A.E. | 6.3455 - 6.3670 | 3.6720 - 3.6740 |

* Selling rate

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu May 21 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 133.631 | 127.532 | -4.56 | 6.16 | 79 |
| Italian Lira | 1538.24 | 1528.37 | -0.64 | 1.97 | 39 |
| Sterling | 0.696904 | 0.692862 | -0.58 | 1.91 | 10 |
| Belgian Franc | 42.4032 | 42.3620 | -0.10 | 1.42 | 12 |
| Dutch Guilder | 2.31643 | 2.31976 | 0.14 | 1.17 | 0 |
| D-Mark | 2.05586 | 2.05925 | 0.16 | 1.15 | -1 |
| Irish Punt | 0.767417 | 0.769083 | 0.22 | 1.10 | -3 |
| Danish Krone | 7.84195 | 7.86525 | 0.30 | 1.02 | -7 |
| French Franc | 6.89509 | 6.98606 | 1.32 | 0.00 | -64 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| May 21 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.7080 - 1.7430 | 1.7360 - 1.7370 | 0.89-0.87cpm | 6.08 | 2.34-2.31pm | 5.36 |
| Canada | 1.9795 - 1.9970 | 1.9935 - 1.9945 | 0.53-0.44cpm | 2.92 | 1.27-1.14pm | 2.42 |
| Netherlands | 3.3425 - 3.3525 | 3.3425 - 3.3525 | ¾-¼cpm | 2.91 | 2-1⅞pm | 2.32 |
| Belgium | 60.90 - 61.25 | 61.15 - 61.25 | 18-13cpm | 3.04 | 42-30pm | 2.35 |
| Denmark | 11.3250 - 11.3705 | 11.3550 - 11.3650 | 2¼-1½orepm | 1.98 | 5¼-4pm | 1.63 |
| Ireland | 1.1080 - 1.1110 | 1.1100 - 1.1110 | 0.20-0.15cpm | 1.89 | 0.50-0.40pm | 1.62 |
| Germany | 2.9695 - 2.9750 | 2.9700 - 2.9750 | ¾-⅝pfpm | 3.28 | 1⅞-1¾pm | 2.44 |
| Portugal | 257.95 - 259.70 | 258.50 - 259.50 | 61-33cpm | 2.18 | 26-20pm | 0.42 |
| Spain | 183.45 - 184.60 | 183.90 - 184.20 | 20-25cdis | -1.47 | 77-88dis | -1.79 |
| Italy | 2201.25 - 2208.10 | 2206.25 - 2207.25 | 1¼-¾lirepm | 0.48 | 1½-½pm | 0.17 |
| Norway | 11.5450 - 11.5860 | 11.5725 - 11.5825 | 2¼-1¾orepm | 1.81 | 4¾-3¼pm | 1.32 |
| France | 10.0650 - 10.1050 | 10.0800 - 10.0900 | 2¾-2⅛cpm | 2.68 | 5⅞-5⅛pm | 2.23 |
| Sweden | 10.6350 - 10.6800 | 10.6700 - 10.6800 | ¾-¼orepm | 0.56 | 1orepm-par | 0.19 |
| Japan | 236.85 - 239.00 | 238.00 - 239.00 | ¾-⅛ypm | 4.09 | 2¼-2⅛pm | 3.67 |
| Austria | 20.86 - 20.94 | 20.89 - 20.92 | 5⅛-4⅛gropm | 2.76 | 13¼-11⅛pm | 2.33 |
| Switzerland | 2.5085 - 2.5200 | 2.5100 - 2.5200 | ¾-⅝cpm | 3.88 | 2-1⅞pm | 3.08 |
| Ecu | 1.4420 - 1.4500 | 1.4465 - 1.4475 | 0.26-0.21cpm | 1.95 | 0.67-0.60pm | 1.76 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.17-4.12cpm. 12 Month 6.97-6.87pm

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| May 21 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.7080 - 1.7430 | 1.7360 - 1.7370 | 0.89-0.87cpm | 6.08 | 2.34-2.31pm | 5.36 |
| Ireland† | 1.5445 - 1.5645 | 1.5635 - 1.5645 | 0.59-0.54cpm | 4.34 | 1.58-1.48pm | 3.91 |
| Canada | 1.1475 - 1.1500 | 1.1480 - 1.1490 | 0.29-0.32cdis | -3.19 | 0.81-0.86dis | -2.91 |
| Netherlands | 1.9240 - 1.9520 | 1.9270 - 1.9280 | 0.52-0.55cdis | -3.33 | 1.43-1.48dis | -3.02 |
| Belgium | 35.20 - 35.65 | 35.20 - 35.30 | 8.00-10.00cdis | -3.06 | 23.50-29.50dis | -3.01 |
| Denmark | 6.5400 - 6.6150 | 6.5400 - 6.5450 | 2.10-2.40oredis | -4.13 | 5.75-6.40dis | -3.71 |
| Germany | 1.7080 - 1.7330 | 1.7110 - 1.7120 | 0.44-0.46pfdis | -3.16 | 1.26-1.29dis | -2.98 |
| Portugal | 149.20 - 149.50 | 149.25 - 149.35 | 60-70cdis | -5.22 | 205-235dis | -5.89 |
| Spain | 105.85 - 107.25 | 105.90 - 106.00 | 62-66cdis | -7.25 | 174-180dis | -6.68 |
| Italy | 1268.00 - 1285.85 | 1270.50 - 1271.00 | 5.80-6.30liredis | -5.71 | 16.30-16.80dis | -5.21 |
| Norway | 6.6650 - 6.7420 | 6.6650 - 6.6700 | 2.25-2.60oredis | -4.36 | 6.50-7.00dis | -4.05 |
| France | 5.7950 - 5.8745 | 5.8050 - 5.8100 | 1.63-1.68cdis | -3.42 | 4.45-4.55dis | -3.10 |
| Sweden | 6.1250 - 6.2130 | 6.1450 - 6.1500 | 2.75-3.00oredis | -5.61 | 7.75-8.20dis | -5.19 |
| Japan | 137.10 - 138.25 | 137.35 - 137.45 | 0.22-0.24ydis | -2.01 | 0.58-0.61dis | -1.73 |
| Austria | 12.0550 - 12.1850 | 12.0975 - 12.1025 | 3.40-3.85grodis | -3.60 | 9.10-10.30dis | -3.21 |
| Switzerland | 1.4455 - 1.4630 | 1.4475 - 1.4485 | 0.28-0.30cdis | -2.40 | 0.77-0.80dis | -2.17 |
| Ecu | 1.1865 - 1.2015 | 1.2000 - 1.2010 | 0.42-0.40cpm | 4.10 | 1.07-1.04pm | 3.52 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### EURO-CURRENCY INTEREST RATES

| May 21 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 11¾ - 11½ | 11¾ - 11½ | 11¾ - 11½ | 11½ - 11⅜ | 11⅜ - 11¼ | 11¼ - 11⅛ |
| US Dollar | 5⅞ - 5¾ | 5⅞ - 5¾ | 5⅞ - 5¾ | 6⅛ - 5⅞ | 6¼ - 6⅛ | 6⅝ - 6½ |
| Can. Dollar | 9 - 8¾ | 9 - 8¾ | 8⅞ - 8¾ | 8⅞ - 8¾ | 9 - 8¾ | 9⅛ - 8⅞ |
| Dutch Guilder | 9⅛ - 8⅞ | 9⅛ - 8⅞ | 9⅛ - 9 | 9⅛ - 9 | 9¼ - 9⅛ | 9⅜ - 9¼ |
| Swiss Franc | 8¼ - 0 | 8¼ - 8 | 8⅛ - 8 | 8⅛ - 8 | 8⅛ - 8 | 8 - 7⅞ |
| D-Mark | 8¾ - 8⅝ | 8¾ - 8⅝ | 8⅞ - 8¾ | 9 - 8⅞ | 9⅛ - 9 | 9⅛ - 9 |
| French Franc | 9⅛ - 9 | 9⅛ - 9 | 9⅛ - 9 | 9⅛ - 9 | 9⅛ - 9 | 9⅜ - 9¼ |
| Italian Lira | 12 - 10 | 11⅛ - 10⅛ | 11¼ - 10¾ | 11¼ - 10¾ | 11¼ - 10⅞ | 11⅜ - 11⅛ |
| Belgian Franc | 8⅞ - 8⅞ | 8⅞ - 8⅞ | 9 - 8⅞ | 9⅛ - 9 | 9¼ - 9⅛ | 9⅜ - 9¼ |
| Yen | 7⅞ - 7⅞ | 8 - 7⅞ | 7⅞ - 7¾ | 7⅞ - 7¾ | 7⅞ - 7¾ | 7¾ - 7⅝ |
| Danish Krone | 10⅛ - 10 | 10 - 9⅞ | 9⅞ - 9⅞ | 9⅞ - 9⅞ | 9⅞ - 9¾ | 9⅞ - 9¾ |
| Asian $Sing | 6 - 5⅞ | 6 - 5⅞ | 6 - 5⅞ | 6⅛ - 5⅞ | 6¼ - 6⅛ | 6⅝ - 6½ |

Long term Eurodollars: two years 7⅛-7¼ per cent; three years 7⅝-7¾ per cent; four years 8⅛-8 per cent; five years 8⅜-8¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| May.21 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C$ | B Fr. | ECU |
|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.737 | 2.973 | 238.5 | 10.09 | 2.515 | 3.348 | 2207 | 1.994 | 61.20 | 1.447 |
| $ | 0.576 | 1 | 1.712 | 137.3 | 5.809 | 1.448 | 1.927 | 1271 | 1.148 | 35.23 | 0.833 |
| DM | 0.336 | 0.584 | 1 | 80.22 | 3.394 | 0.846 | 1.126 | 742.3 | 0.671 | 20.59 | 0.487 |
| YEN | 4.193 | 7.283 | 12.47 | 1000. | 42.31 | 10.55 | 14.04 | 9254 | 8.361 | 256.6 | 6.067 |
| F Fr. | 0.991 | 1.722 | 2.946 | 236.4 | 10. | 2.493 | 3.318 | 2187 | 1.976 | 60.65 | 1.434 |
| S Fr. | 0.398 | 0.691 | 1.182 | 94.83 | 4.012 | 1 | 1.331 | 877.5 | 0.793 | 24.33 | 0.575 |
| H Fl. | 0.299 | 0.519 | 0.888 | 71.24 | 3.014 | 0.751 | 1 | 659.2 | 0.596 | 18.28 | 0.432 |
| Lira | 0.453 | 0.787 | 1.347 | 108.1 | 4.572 | 1.140 | 1.517 | 1000. | 0.903 | 27.73 | 0.656 |
| C$ | 0.502 | 0.871 | 1.491 | 119.6 | 5.060 | 1.261 | 1.679 | 1107 | 1 | 30.69 | 0.726 |
| B Fr. | 1.634 | 2.838 | 4.858 | 389.7 | 16.49 | 4.109 | 5.471 | 3606 | 3.258 | 100. | 2.364 |
| ECU | 0.691 | 1.200 | 2.055 | 164.5 | 6.973 | 1.738 | 2.314 | 1525 | 1.378 | 42.29 | 1 |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS; LONDON (LIFFE); CHICAGO; PHILADELPHIA SE £/$ OPTIONS; 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF); CAC-40 FUTURES (MATIF); ECU BOND (MATIF): [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls June | Calls Sept. | Calls Dec. | Puts June | Puts Sept. | Puts Dec. |
|---|---|---|---|---|---|---|
| 104 | - | - | - | - | 0.38 | - |
| 105 | - | 2.06 | - | 0.04 | 0.61 | - |
| 106 | 0.60 | 1.44 | - | 0.18 | 0.97 | - |
| 107 | 0.12 | 0.92 | - | 0.70 | 1.45 | - |
| 108 | 0.01 | 0.58 | - | - | - | - |
| 109 | - | 0.34 | - | - | - | - |
| Open Int. | 119,166 | 62,639 | 8,976 | 134,572 | 67,511 | 6,490 |

Estimated volume 12,792 Total Open Interest 399,354

FT FOREIGN EXCHANGE RATES

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.7365 | 1.7277 | 1.7133 | 1.6951 | 1.6673 |

IMM-STERLING $s per £

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Jun | 1.7260 | 1.7264 | 1.7230 | 1.7098 |
| Sep | 1.7032 | 1.7050 | 1.7018 | 1.6886 |
| Dec | - | 1.6860 | - | 1.6716 |

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 12 | Comm.Bk.of London Plc | 12 | McDonnell Douglas Bnk | 12 |
| Adam & Company | 12 | Co-operative Bank | 12 | Midland Bank | 12 |
| Allied Trust Bank | 12 | Coutts & Co | 12 | Mount Banking | 12 |
| AIB Bank | 12 | Cyprus Popular Bk | 12 | Nat. Bk. of Kuwait | 13½ |
| ● Henry Ansbacher | 12 | Dunbar Bank PLC | 12 | NatWestminster | 12 |
| B & C Merchant Bank | 12 | Duncan Lawrie | 12 | Northern Bank Ltd | 12 |
| Bank of Baroda | 12 | Equatorial Bank plc | 12 | Nykredit Mortgage Bank | 12½ |
| Banco Bilbao Vizcaya | 12 | Exeter Bank Limited | 12½ | Provincial Bank PLC | 14 |
| Bank Credit & Comm | 12 | Financial & Gen. Bank | 12 | Roxburghe Bank Ltd. | 13 |
| Bank of Cyprus | 12 | First National Bank Plc. | 15 | Royal Bk of Scotland | 12 |
| Bank of Ireland | 12 | ● Robert Fleming & Co. | 12 | ● Smith & Williamson Secs. | 12 |
| Bank of India | 12 | Robert Fraser & Ptrs. | 12½ | Standard Chartered | 12 |
| Bank of Scotland | 12 | Girobank | 12 | TSB | 12 |
| Banque Belge Ltd | 12 | ● Guinness Mahon | 12 | Unibank plc | 12 |
| Barclays Bank | 12 | ● Hambros Bank | 12 | ● United Bk of Kuwait | 12 |
| Benchmark Bank | 12 | Hampshire Trust Plc | 13½ | United Mizrahi Bank | 12½ |
| Brit Bk of Mid East | 12 | Heritable & Gen Inv Bnk. | 12 | Unity Trust Bank Plc | 12 |
| ● Brown Shipley | 12 | ● Hill Samuel | 12 | Western Trust | 12 |
| CL Bank Nederland | 12 | C. Hoare & Co. | 12 | Westpac Bank Corp. | 12 |
| ● Charterhouse Bank | 12 | Hongkong & Shanghai | 12 | Whiteaway Laidlaw | 12 |
| Citibank NA | 12 | ● Leopold Joseph & Sons | 12 | Yorkshire Bank | 12 |
| City Merchants Bank | 12 | Lloyds Bank | 12 | | |
| Clydesdale Bank | 12 | Meghraj Bank Ltd | 12 | | |

● Members of British Merchant Banking & Securities Houses Association.

## MONEY MARKETS

# Rates little changed

UK MONEY supply and bank lending figures were within the range of most forecasts yesterday and had little impact on London wholesale interest rates.

Seasonally adjusted M0 rose 0.5 per cent and M4 1.3 per cent in April, while bank and building society lending (M4) climbed £3.4bn.

Three-month sterling interbank was quoted at 11⅝-11 9/16 against 11¾-11½ per cent, with 12-month money easing to 11⅜-11 5/16 from 11¼-11⅛ per cent

UK clearing bank base lending rate 12 per cent from April 12, 1991

Short sterling futures ware firmer on Liffe. June delivery opened higher at 88.74 and touched a peak of 88.77 before closing at 88.75 compared with 88.72 previously.

Day-to-day credit was in moderately short supply on the London money market. The Bank of England initially forecast a shortage of £750m, but revised this to £550m at noon and to £600m in the afternoon. Total assistance of £622m was provided.

An early round of help was offered and at that time the authorities bought £100m bank hills outright in band 1 at 11⅞ per cent. Before lunch another £151m hank hills were purchased in band 1 at 11⅞ per cent.

In the afternoon the Bank of England bought £91m bank hills in band 1 at 11⅞ per cent. Late assistance of around £280m was also provided.

Bills maturing in official hands, repaymant of late assistance and a taka-np of Treasury bills drained £347m, with exchequer transactions absorbing £460m and hank balances below target £30m. These outweighed a fall in the note circulation adding £65m to liquidity.

In Frankfurt call money was unchanged at 8.65 per cent. Banks were well supplied with funds, leading to speculation that the Bundesbank will drain liquidity at this week's securities repurchaae agreement tender.

The German central bank offered 35-day funds at an unchanged fixed rate of 8.60 per cent to replace an earlier 28-day facility of DM12.3bn expiring today.

In Paris the Bank of France left its money markat intervention rate at 9 per cent and the five to 10-day repurchase rate at 10 per cent at yesterday's securities repurchase tender.

The French franc stayed at the hottom of the ERM, possibly dissuading the central bank from cutting rates, despite expectations that the new prime minister wishes to give the economy a boost.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. May.21) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 5 15/16 | offer 6 1/16 | bid 6⅛ | offer 6¼ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

NEW YORK (Lunchtime)

| | | Treasury Bills and Bonds | | | |
|---|---|---|---|---|---|
| Prime rate | 8½ | One month | 5.15 | Three year | 7.16 |
| Broker loan rate | 7¼ | Two month | 5.29 | Four year | 7.37 |
| Fed.funds | 5 15/16 | Three month | 5.64 | Five year | 7.74 |
| Fed.funds at intervention | - | Six month | 5.90 | Seven year | 7.97 |
| | | One year | 6.14 | 10-year | 8.09 |
| | | Two year | 6.84 | 30-year | 8.29 |

| May.21 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 8.60-8.70 | 8.75-8.90 | 0.85-9.00 | 0.90-9.05 | 9.00-9.15 | 9.00 |
| Paris | 8 13/16-9 1/16 | 9-9⅛ | 9-9¼ | 9-9¼ | 9-9⅛ | 9.25 |
| Zurich | 7¾-8¼ | 7¾-8¼ | - | 8-8¼ | - | - |
| Amsterdam | 0.87-9.00 | 8.96-9.01 | - | 8.98-9.06 | - | - |
| Tokyo | 7 13/16-8 | 7 13/16-7 15/16 | - | 7⅝-7⅞ | - | - |
| Milan | 10⅝-10⅞ | 11⅛-11½ | - | 11⅛-11⅜ | - | - |
| Brussels | 0.75-8.88 | 8 13/16-8 15/16 | - | 8 13/16-9 | - | - |
| Dublin | 10 11/16-10 15/16 | 10⅝-10 15/16 | 10½-10⅝ | 10⅜-10½ | 10¼-10⅜ | - |

### LONDON MONEY RATES

| May 21 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 12¼ | 12½ | 12 | 11⅝ | 11 9/16 | 11¼ |
| Interbank Bid | 7 | 12⅛ | 11 13/16 | 11½ | 11 7/16 | 11 3/16 |
| Sterling CDs | - | - | 11 13/16 | 11½ | 11⅜ | 11⅛ |
| Local Authority Deps. | 12⅛ | 12⅛ | 11¾ | 11½ | 11¼ | 11⅛ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 12⅛ | 12¼ | 11⅛ | 11¼ | - | - |
| Company Deposits | - | - | 11 13/16 | 11 9/16 | 11⅜ | 11 3/16 |
| Finance House Deposits | - | - | 11⅞ | 11 11/16 | 11¼ | 11⅛ |
| Treasury Bills (Buy) | - | - | 11 11/16 | 11⅛ | 10⅝ | - |
| Bank Bills (Buy) | - | - | 11 13/16 | 11 11/32 | 10 13/16 | - |
| Fine Trade Bills (Buy) | - | - | - | - | - | - |
| Dollar CDs | - | - | 5.91 | 5.98 | 6.12 | 6.52 |
| SDR Linked Dep. Offer | - | - | 7⅜ | 7 11/16 | 7 13/16 | 7 13/16 |
| SDR Linked Dep. Bid | - | - | 7⅝ | 7 9/16 | 7 11/16 | 7 11/16 |
| ECU Linked Dep. Offer | - | - | 9¼ | 9⅝ | 9⅝ | 9½ |
| ECU Linked Dep. Bid | - | - | 9⅛ | 9½ | 9½ | 9⅜ |

Treasury Bills (sell): one-month 11 7/32 per cent; three months 10¾ per cent; six months 10½ per cent; Bank Bills (sell): one-month 11 3/32 per cent; three months 11 1/32 per cent; Treasury Bills; Average tender rate of discount 10.8427 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1991. Agreed rates for period May 26,1991 to June 25, 1991, Scheme I: 13.07 p.c., Schemes II & III: 13.32 p.c. Reference rate for period March 29, 1991 to April 30, 1991, Scheme IV&V: 12.024 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from May.1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8½ per cent; one-three months 11 per cent; three-six months 10½ per cent; six-nine months 10 per cent; nine-twelve months 9½ per cent; Under £100,000 5½ per cent from April 15,1991. Deposits withdrawn for cash 5 per cent.



# MONEY MARKET FUNDS

## Money Market Trust Funds

[illegible]

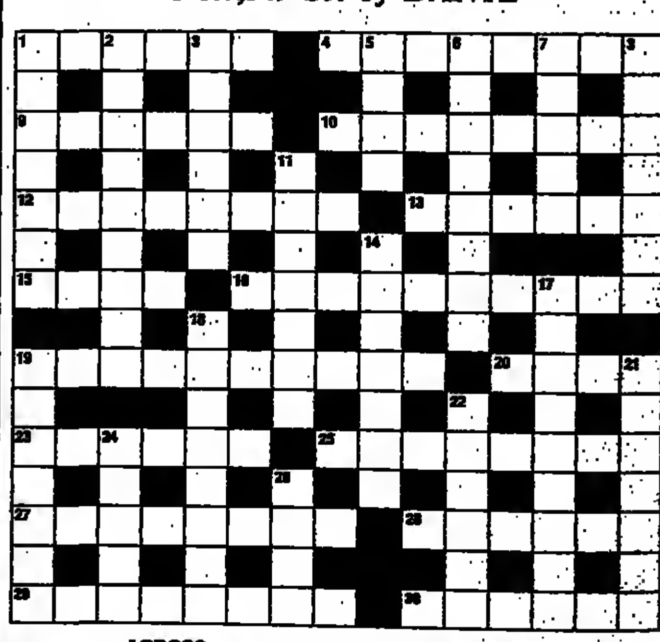
## Money Market Bank Accounts

[illegible]

JOTTER PAD

# CROSSWORD

No.7,549 Set by DANTE



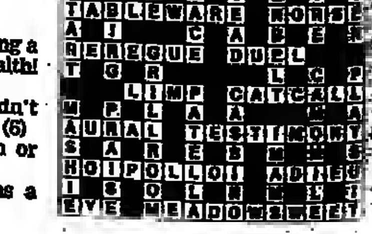
ACROSS

1 Wild flower dangerous to birds? (6)
4 Loans saved, can make a move (8)
9 Visit, but speak without entering? (4,2)
10 Always faithful? (8)
12 Shocking bounders caused perjury to be committed (8)
13 Puzzle set in game (6)
15 Spot the sign of a faulty washer (4)
16 Edifice with strong beams (10)
19 Well in front and not left behind (5,5)
20 An outstanding boss (4)
23 Give a plain description of French capital (6)
25 Bank go-between? (8)
27 A survey not repeated (4-4)
28 A pretty useless object (6)
29 Such tolerance may be a matter of degree (8)
30 Solely depend on me (6)

DOWN

1 Got one's image right (7)
2 We shall shortly be having a gin cocktail – here's health! (4-5)
3 Frenchman who couldn't adapt to a new regime? (6)
5 An opening celebration or its finale (4)
6 A drink – Ben has it as a cocktail (8)
7 Sound as a bell (5)
8 One statue oddly placed (7)
11 The pleasure of dividing five hundred and eight by fifty (7)
14 One who cribs in an exam upsets a teacher (7)
17 Aunt Mabel, when wild, can't be controlled! (9)
18 Refuse to agree to project (5,3)
19 Neat combination of cardinal and count (7)
21 Studies cathedral closely (7)
22 Where the batsman stands about in case (6)
24 In fact a point of view (5)
26 Have best part of the play (4)

Solution to Puzzle No.7,548



# WORLD STOCK MARKETS

### AUSTRIA

| May 21 | Sch | + or − |
|---|---|---|
| Austrian Airlines | 3,225xd | −15 |
| Creditanstalt | 3,470 | +60 |
| EA General | 4,170 | −30 |
| EVN | 831 | −3 |
| Jungbunzlauer | 9,780 | +250 |
| Laenderbank | 1,420 | ... |
| OeMV | 9,180 | ... |
| Perlmooser Zement | 1,710 | +10 |
| Radex Heraklith | 872 | ... |
| Reininghaus Brau | 2,130 | ... |
| Steyr Daimler | 400 | −1 |
| Veitscher Magnesit | 680 | ... |
| Verbund (Br) A | 516 | +5 |
| Wienerberger | 5,700xr | −30 |

### BELGIUM/LUXEMBOURG

| May 21 | Frs. | + or − |
|---|---|---|
| ACEC-Union Mie | 2,940 | +40 |
| Arbed | 4,150 | −50 |
| BBL | 2,900 | −80 |
| Bank Intl a Lux | 11,200 | +50 |
| Banq Gen Lux Pts | 12,450 | ... |
| Barco | 1,184 | −42 |
| Bekaert | 8,500 | −10 |
| CBR Ciment | 7,650xd | ... |
| Cobepa | 5,230xd | −40 |
| Cobepa AFV 1 | 5,100xd | ... |
| Cockerill Priv | 171 | −1 |
| Colruyt | 3,250 | +30 |
| Delhaize Frs Lion | 7,800 | −30 |
| Electrabel | 4,870 | −5 |
| Electrabel AFV | 4,860 | +10 |
| Electrafina ACT | 3,100 | ... |
| Fabrique Nat | 121 | −2 |
| GBL | 3,690 | −20 |
| GBL AFV 1 | 3,650 | ... |
| GIB Group | 1,370 | −2 |
| GIB Group AFV | 1,272 | −28 |
| Gechem | 850 | −2 |
| Gechem AFV | 750 | −30 |
| Generale Banque | 5,050xd | ... |
| Gen Banque AFV1 | 5,100xd | −130 |
| Gevaert | 6,950xd | −90 |
| [illegible] | [illegible] | [illegible] |

### FRANCE (continued)

| May 21 | Frs. | + or − |
|---|---|---|
| Bongrain | 2,535xd | −7 |
| Bouygues | 574 | +2 |
| CGIP | 1,085 | −11 |
| C M B Packaging | 146 | −1.40 |
| Canal+ | 1,050 | ... |
| Cap Gemini S | 362.90 | −11.80 |
| Carrefour | 2,020 | +2 |
| Casino | 138.80 | +0.30 |
| Cetelem | 710 | −14 |
| Chargeurs | 712 | −6 |
| Ciments Fr | 390.60 | −9.40 |
| Club Mediterranee | 428 | −7 |
| Cogifi | 372.90 | −2.10 |
| Coparex | 575 | ... |
| C C F | 154.50 | −0.30 |
| Cr Fonc France | 1,142 | +17 |
| Cred Lyon (CI) | 610 | +3 |
| Credit National | 1,244 | +14 |
| Damart | 1,841 | −49 |
| Docks de France | 3,750 | −30 |
| Dollfus Mieg Cie | 384 | −4 |
| EBF | 744 | −1 |
| Eaux Cie Genl | 2,683 | −8 |
| Ecco | 350 | −9 |
| Elf-Aquitaine | 369.80 | +1.50 |
| Elf-Aquitaine Certs | 248 | +1 |
| Essilor Int | 359 | −1 |
| Etex | 1,999 | ... |
| Euraframe | 1,621 | −19 |
| Eurocom | 852 | −21 |
| Euro Disney | 124.90 | +1.50 |
| Euromarche | 4,005 | +15 |
| Exor | 1,400 | +7 |
| Fimextel | 139.80 | −0.20 |
| Fonc Lyonnaise | 743 | −1 |
| From Cet Auv | 2,020 | ... |
| GTM-Entrepose | 460 | ... |
| Gal. Lafayette | 1,711 | +5 |
| Gaumont (Soc N) | 890 | −11 |
| Gen Occidentale | 767 | −7 |
| Geophysique | 710 | −5 |
| Hachette | 199.40 | +0.30 |
| Havas | 510 | +2 |
| Imetal | 317 | −2.10 |
| Imm de France | 1,270 | +72 |
| [illegible] | [illegible] | [illegible] |

### GERMANY (continued)

[illegible]

### NETHERLANDS

[illegible]

### SWEDEN (continued)

[illegible]

### SWITZERLAND

[illegible]

### NORWAY

[illegible]

### SPAIN

[illegible]

### ITALY

[illegible]

### SOUTH AFRICA

[illegible]

### FINLAND

[illegible]

### DENMARK

[illegible]

### SWEDEN

[illegible]

### JAPAN

[illegible]

### AUSTRALIA

[illegible]

### HONG KONG

[illegible]

### MALAYSIA

[illegible]

### SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

## CANADA

### TORONTO

3:00 pm prices May 21

Quotations in cents unless marked $

[illegible]

### MONTREAL

3:00 pm prices May 21

[illegible]

## INDICES

### NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

[illegible]

### CANADA

TORONTO

[illegible]

**Saturday May 18: Taiwan Weighted Price: [illegible]

‡ Subject to official recalculation.

Base values of all Indices are 100 except: BEL20, HEX General, [illegible] JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining [illegible]

[illegible] except NYSE All Common – 50; Standard and Poor's – 10; and [illegible] 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/[illegible], plus Utilities, Financial and Transportation. (c) Closed. (u) [illegible]

### TOKYO - Most Active Stocks

Tuesday 21 May 1991

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | 8.1 | 464 | −6 | Chiyoda | 3.8 | 2,440 | +40 |
| Japan Steel Works | 7.0 | 775 | +5 | Akai Electric | 3.5 | 1,116 | +90 |
| Hitachi | 5.5 | 1,080 | −30 | Nisshin Steel | 3.4 | 720 | +20 |
| Mitsubishi Heavy | 5.0 | 742 | −4 | Toda Construction | 3.2 | 1,700 | +30 |
| Hitachi Zosen | 4.7 | 649 | +18 | NKK | 2.7 | 413 | 6 |

3:15 pm prices May 21

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1991 High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

\- B -

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\- I -

\- J -

\- K -

\- L -

\- M -

\- N -

\- O -

\- P - Q -

\- R -

Continued on next page

# NYSE COMPOSITE PRICES

Continued from previous page

receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

3:00 pm prices May 21

| Stock | Div. | P/E | Sls 100s | High | Last | Close | Chng |
|---|---|---|---|---|---|---|---|
| OMI Corp | 0.10 | 11 | 22 | 6¼ | 6½ | 6½ | |
| Pall Corp | 0.44 | 37 | 3624 | 34½ | 20⅞ | 34¼ | +1¾ |
| Pegasus G | | 7 | 37 | 11⅛ | 11 | 11⅛ | |
| Perind | | 15 | 15 | 14⅞ | 14½ | 14⅞ | |
| Pet HMP x | 0.31 | 12 | 5 | 10¼ | 15¼ | 19⅛ | |
| Phil LD | 0.16 | 8 | 444 | u20⅞ | 20⅜ | 20⅝ | +⅛ |
| Pittway A | | 11 | 2 | 27¼ | 27¼ | 27¼ | |
| Ply Gem x | 0.12 | 58 | 316 | 7½ | 7 | 7 | |
| PresidioA | 0.10 | 6 | 86 | 4⅞ | 4⅞ | 4⅞ | |
| Price Com | | 6 | 59 | ⅝ | ⅝ | ⅝ | |
| Pro Med | 0.02 | 11 | 42 | 6⅝ | 6¼ | 8¼ | |
| Prof Care | | 7 | 42 | 8 | 7⅞ | 8 | |
| RB&W Cp | | 11 | 22 | 4⅞ | 4⅞ | 4⅞ | +⅛ |
| RiedelEnv | | 28 | 10 | 7 | 7 | 7 | −⅛ |
| Ruddick | 0.48 | 30 | 48 | 29⅞ | 29¼ | 29⅞ | |
| SJW Corp | 1.92 | 11 | 4 | 30 | 20⅞ | 30 | +⅛ |
| SthnUnion | | 25 | 270 | 15½ | 13 | 15 | −⅛ |
| Sterl El | | 14 | 30 | 2⅞ | 2¼ | 2⅞ | |
| Synaloy x | 0.40 | 7 | 21 | 13⅛ | 12 | 15 | −⅛ |
| TII Ind | | 2 | 22 | 1⅜ | 1⅜ | 1⅜ | |
| Tab Prods x | 0.40 | 17 | 37 | 10⅞ | 15⅛ | 10⅞ | |
| Tel&Data | 0.40 | 30 | 274 | 34⅞ | 33½ | 33½ | −½ |
| Telesphr | | 1 | 2886 | 1¼ | d⅞ | 1 | −⅛ |
| Thermedcs | | 29 | 17 | 12⅛ | 12 | 12⅛ | +⅛ |
| Thermoinst | | 26 | 63 | 22¼ | 20¼ | 22¼ | +⅝ |
| TIE Comm | | 9 | 374 | ⅞ | ⅝ | ⅝ | −⅛ |
| Total Pet | 0.09 | 19 | 21 | 21⅝ | 21½ | 21⅝ | +⅛ |
| TownCntry | | 2 | 26 | 2⅞ | 2⅜ | 2⅞ | |
| Tubos Mex | | 1 | 472 | 8¼ | 8¼ | 8⅜ | −⅛ |
| Unicorp | | 6 | 3 | ⅝ | ⅜ | ⅜ | −⅛ |
| UtdFoodsA | | 4 | 60 | 2⅛ | 2 | 2 | −⅛ |
| UtdFoodsB | | 2 | 6 | u2½ | 2⅜ | 2⅜ | |
| UnivPats | | 14 | 21 | 7⅜ | 7¼ | 7⅜ | +⅛ |
| US Cellul | | 30 | 8 | 22½ | 22½ | 22⅝ | |
| WangLab C | | 1 | 18 | 8½ | 8½ | 2½ | |
| WangLab B | | 6 | 587 | 3 | 3 | 3 | −⅛ |
| Weatherfd | | 27 | 115 | 6⅜ | 6¼ | 6¼ | |
| Wesbmer | 0.44 | 15 | 13 | 19⅝ | 15½ | 15⅝ | +⅛ |
| WRIT x | 1.48 | 18 | 57 | 17¼ | 17⅛ | 17⅛ | |
| Wortham | | 7 | 58 | 13½ | 13⅜ | 13½ | +⅛ |
| Xytronix | | 31 | 125 | 19½ | 18⅝ | 18⅞ | |



# NASDAQ NATIONAL MARKET

3:15 pm prices May 21

FINANCIAL TIMES Wednesday May 22 1991

AMERICA

# Demand from institutions lifts drug sector

## Wall Street

TECHNICAL short-covering and institutional demand for drug stocks pnshed share prices steadily higher in heavy trading yesterday morning, *writes Patrick Horverson in New York.*

By 1.30 pm the Dow Jones Industrial Average was up 26.61 at 2,918.83. The more hroadly hased Standard & Poor's 500 was also higher, np 3.36 at 375.64 at 1 pm, while the Nasdaq composite of over-the-counter stocks, helped hy a rally in technology stocks, was 3.65 higher at 483.75. Turnover on the New York SE was 112m shares by 1 pm, a substantial recovery from the low levels of Monday, and advances led declines by 880 to 523.

There was steady hnying in the drug sector by institutional investors. Merck rose \$2⅛ to \$121¾, Bristol-Myers Squihh put oo \$1¾ at \$82⅞, Pfizer gained \$1¾ to \$58¼, American Home Products rose \$½ to \$60¾ and Schering Plongh firmed \$⅛ to \$52¾.

The news that Cetus Corp's Interleukin-2 cancer drug will be reviewed by the Food and Drug Administration's advisory committee in July lifted its shares \$⅞ to \$15⅞. Merrill Lynch, the hroking house, reacted hy raising its intermediate-term rating on the stock from neutral to above-average.

Minnesota Mining, which gave a late hurst to the Dow on Monday when the company announced plans to repurchase up to 6m of its own shares (2.7 per cent of ontstanding stock), maintained its strong form, rising another \$1⅛ to \$89⅝.

Secondary technology stocks recovered from their recent declines, with Apple up \$2 at \$46¼, Microsoft up \$3⅝ at \$102¾ and Adobe Systems up \$2⅞ at \$46¾.

Csterpillar fell \$⅛ to \$49 after the company, the world's largest manufacturer of earth-moving equipment, warned that the ontlook for sales and profits in the second quarter had deteriorated, making a loss in the period a possihility. Deere & Co, the country's higgest farm equipment-maker, rose \$¾ to \$50⅞ in spite of e fall in second-quarter earnings from \$1.90 to 96 cents a share.

Cummins Engine eased \$1¼ to \$36⅝ as it slashed its dividend from 55 cents to 5 cents and said that it expected to report a second-quarter operating loss, albeit below the \$34.3m shortfall reported in the first quarter of 1991.

Orion Pictures slumped \$1⅝ to \$7 in the wake of a fiscal fourth-quarter loss of \$2.14 a share, against a profit a year earlier of 29 cents a share. The company also announced a restructuring of \$285m of its debt, about half of the total.

Washington Federal Savings Bank jumped \$1½ to \$15½ after the bank agreed to he acquired hy West One Bancorp in a stock swap deal valued at \$32m. West One was unchanged at \$31¼.

## Canada

LISTLESS, post-holiday treding left Toronto stocks flat in midsession, with little news to move most of the exchange's 14 sectors. The composite index eased 0.2 to 3,449.6. Declines led advances by 193 to 168 on volume of 9.1m shares.

The Royal Bank and the Canadian Imperial Bank of Commerce cut their prime rates to 9.75 per cent from 10.25 per cent, matching a previous cut by the Bank of Montreal. Bank shares edged slightly higher on the news.

Laidlaw class B shares tumhled C\$⅛ to C\$12⅝ ou concerns about its Mercier, Quehec, waste disposal site. However, Lincoln Waste led market volume, rising C\$¼ to C\$11⅞ in 899,000 share, with six large hlocks changing hands.

## SOUTH AFRICA

DEMAND for quality shares in a market short of scrip and en overnight rise in bullion prices lifted Johannesburg shares. The all-gold index rose 35 to 1,173 and the industrial index gained 44 to 3,547. The overall index was up 49 at 3,081.

EUROPE

# Sweden jumps 3.5% after news of krona link to Ecu

BOURSES re-opened yesterday after Whit Monday, with Nordic markets prominent on the recent strength of the dollar, and on interest rates, *writes Our Markets Staff.* An ironic footnote to the European day was written in New York, as the dollar slid on central bank selling, and most foreign shares gained in the process.

STOCKHOLM came back from holiday, meanwhile, with a jump of 3.5 per cent in active trading, after a fall in interest rates which followed last Friday's late news that the krona would be linked to the Ecu, not the dollar. New York, however, had seen two days' trading on this news, and Swedish ADRs retreated further there on more profit-taking.

The Affärsvärlden General index rose 36.4 to 1,074.7 in the year's highest turnover of SKr816m, more than douhle Friday's SKr356m. Analysts warned, however, that the rally was unlikely to be sustained beyond the end of this week, as the fundamentals were not good.

Skandia, the insurer, saw its B shares gain SKr14 or 8.4 per cent to SKr180 and Volvo's Bs rose SKr17 to SKr318. Electrolux B shares added SKr8 to SKr250 on the firmer dollar, before results today.

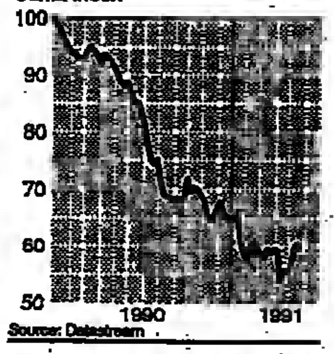
HELSINKI declined, but free shares registered a small rise after last week's comments by the central bank governor that Finland should consider more seriously linking the markka to the Ecu. The Hex index lost 4.2 to 1,037.4. Turnover grew from Monday's FM9.1m to FM21.7m, with free shares accounting for FM11.5m.

COPENHAGEN pushed close to its year's high as the CSE index rose 1.35 to 352.13. The strong dollar lifted selected exporters, such as biotechnology group Novo Nordisk which put on DKr6 to DKr452. A lift in bond prices, ahead of a late afternoon cut in base rates, took Den Danske Bank up DKr4 to DKr334.

MILAN was pulled off the day's low by a partial recovery in Fiat before the announcement of its 1990 dividend and results later in the day. The Comit index fell 3.43 to 569.92 in volume estimated at above Monday's thin L104bn.

**Fiat**

Share price relative to the Comit index




Source: Datastream

Fiat officially ended down L135 at L5,465, reflecting its fall after hours on Monday, but rehounded later to L5,560. After the close Fiat proposed an unchanged dividend, in spite of a halving in the consolidated attributable net profit. Newe that Fiat was seeking shareholder approval for another share buy-back programme of up to L626bn came as a surprise.

Analysts said that the dividend news should provide the market with a temporary fillip and that domestic funds would be pleased with the decision. However, they cautioned that Fiat would be under intense pressure to cut or omit the 1991 dividend in view of its investments at home and in eastern Europe.

Montedison eased L16 to L1,409 following Monday'e release of 1990 profits and dividends. The stock edged up to L1,412 after hours. Banking stocks fell after a report on the increasing rate of bad loans among Italy's medium-to-small and mortgage banks, BCI falling L50 to L4,470.

FRANKFURT ended 1.2 per cent higher, the DAX index climbing 18.53 to 1,617.40 after a 3.84 rise to 681.79 in the FAZ at midsession.

Volume firmed again, from DM6.1bn to DM6.6bn. Banks were led higher by Deutsche Bank with a rise of DM14 to DM663 in turnover of DM1.4bn, up from DM1.2bn last Friday and a recent daily average of DM400m. Traders said that the stock was being bought for the dividend before the shares go ex the payment tomorrow.

Ms Barbara Altmann, of B Metzler in Frankfurt, added that Metzler had been recommending banks on the prospect of a fall in interest rates later this year, which would ease year-end provisions against bond portfolios and lift 1991 profits.

PARIS opened lower, after negative comments on the bourse at the weekend by the new prime minister, but Wall Street's early gains helped the CAC 40 index close 8.15 higher at 1,838.08.

Cap Gemini Sogeti continued to fall after last week's downward revision in its profits forecast. It lost FFr11.80 to FFr362.90 on 167,510 shares.

Fives Lille, the engineering company, gained FFr7 or 2.5 per cent to FFr283.10 on 40,959 shares. One dealer said that the stock, which was a favourite of speculators before the settlement of a lawsuit earlier this year, was attracting back fundamental buyers.

AMSTERDAM was supported by a rise in Royal Dutch and minor gains on Wall Street. The CBS Tendency index gained 0.6 to 95.2 in turnover of Fl 649.4m.

Royal Dutch firmed Fl 4.70 to Fl 157.50 and national carrier KLM, due to announce provisional 1990 results today, rose 30 cents to Fl 25.80.

ISTANBUL's rally continued on hopes that repo rates would fall. The 75-share index gained another 292.68 to 3,945.15, for a two-day gain of 13.5 per cent.

**FT-SE Eurotrack 100 - May 21**

| Hourly changes | | | | | | | |
|---|---|---|---|---|---|---|---|
| Open | 10 am | 11 am | Noon | 1 pm | 2 pm | 3 pm | Close |
| 1120.73 | 1120.37 | 1120.36 | 1121.69 | 1122.45 | 1122.78 | 1122.88 | 1123.75 |

Day's High 1124.47 Day's Low 1118.86

| May 20 | May 17 | May 16 | May 15 | May 14 |
|---|---|---|---|---|
| 1120.04‡ | 1118.61 | 1112.66 | 1109.43 | 1116.47 |

Base value 1000 (26/10/90). ‡ Indicative

ASIA PACIFIC

# Nikkei recovers from early loss on bargain hunting

## Tokyo

ARBITRAGE-related selling depressed the Nikkei average, which lost over 200 points in the first 15 minutes of trading yesterday; but bargain hunting and index-buying by investment trusts restored most of the decline later, *writes Emiko Terazono in Tokyo.*

The Nikkei closed a net 41.82 lower at 25,481.21 after a day's low of 25,227.64, and a high of 25,556.47 in the afternoon. Volume picked up from 170m to 260m shares, and declines led rises by 542 to 360 with 195 issues unchanged. The Topix index of all first section stocks lost 2.68 at 1,936.14, hut in London the ISE/Nikkei 50 index firmed 3.85 to 1,446.15.

Attention remained focused on company results, scheduled for release throughout the week. Miss Caroline Stone at Barclays de Zoete Wedd said that while an advance for the Nikkei was unlikely, the downside was also limited.

High-technology issnes, which had been weak on disappointing earnings, returned to favour after Sega Enterprises, the video game maker, revised its projections for the current year up from Y20bn to Y21.7bn. Sega gained Y600 to Y11,600. Toshiba added Y8 at Y775 and Sony climbed Y40 to Y5,930.

Hazama, the contractor, lost Y70 to Y1,010 on bleak earnings prospects for the current year. Reports that the company is likely to record a 27 per cent fall in pre-tax profits discouraged investors.

Yamaha, the music and sports equipment manufecturer, slipped another Y40 to Y1,630. Last week the company reported a 26 per cent pre-tax profits decline for last year.

Maeda Road Construction rose Y80 to Y2,690 on recommendations by a leading Japanese brokerage. Speculation that the company will benefit from the scheduled pnhlic works spending over the next 10 years supported the issue.

Ishikawajima-Harima Heavy moved ahead Y18 to Y748 on dealer buying. Some traders were encouraged by the news that the shiphuilder has received orders from major US oil companies.

Arabian Oil, the oil refiner, receded Y100 to Y6,770 on small-lot selling. Reports that operations at its Khafji oil plant in Saudi Arabia would be delayed led to concern about the effect of this on earnings.

Japan Storage Battery closed up Y13 at Y858 on news that the company had developed a battery for electrically-powered cars which can be recharged five times faster than the conventional hatteries.

Cable and wire companies were firm on strong earnings forecasts. Fujikura gained Y22 to Y1,020 on projections that pre-tax profits would rise by more than 10 per cent for the current year. Hitachi Cable put on Y30 to Y1,150.

In Osaka, the OSE average shed 143.31 to 28,074.39 on volume of 20m shares. Nintendo, the game maker, rose Y400 to Y14,400 as buying of Sega attracted investors.

Omron weakened Y50 to Y2,120 on forecasting a 6 per cent decline in pre-tax profits for the current year, due to a sharp rise in capital spending.

## Roundup

PACIFIC Rim markets put in a mixed performance yesterday. Seoul was closed for a holiday.

HONG KONG fell 2.2 per cent on rumours that the Sino-British talks on the new airport had failed and worries over China's trading status with the US. The Hang Seng index, which had risen to within 33 points of its record high on Monday, dropped 87.21 to 3,829.88. Turnover shrank to HK\$1.43bn from HK\$1.88bn.

Hopewell Holdings was suspended at Monday's closing price of HK\$4.30 before announcing a one-for-one rights issue at HK\$3 a share.

MANILA reached its best level since December 12, 1989. The composite index gained 17.35 or 1.5 per cent to 1,162.21. Last week's news of the postponement of the Ayala Land flotation freed funds allocated to the issue. Turnover expanded to 191m pesos from 161m.

The strength of Philippine Long Distance Telephone on the US market overnight was carried through to Manila trading, where the stock climbed 15 pesos to 575 pesos. Speculators sought oil shares.

AUSTRALIA rose slightly but the A\$3bn worth of pending rights issues kept investors on the sidelines. The All Ordinaries index improved 4.5 to 1,536.1 in turnover of A\$265m, down from A\$392m.

Goodman Fielder Wattie retreated 11 cents to A\$1.87 after Fosters Brewing sold its stake of around 104m shares in the food company – 9 per cent of the share capital – to institutions at A\$1.80 apiece. The sale had been expected.

Adsteam, relisted on Monday, moved up ½ cent to 9½ cents. Coca-Cola Amatil gained 22 cents to A\$8.90 on news that it would buy two Coca-Cola bottling companies in Papua New Guinea.

NEW ZEALAND's early gain was eroded by Goodman Fielder Wattie, which lost 4 cents to NZ\$2.52 on news of the Fosters sale. The Barclays index reached 1,562.33 before closing 9.28 up at 1,561.94. Turnover increased to NZ\$15.4m from NZ\$12.8m.

TAIWAN rose but was concerned about power rationing and student demonstrations. The weighted index gained 32.14 to 6,142.21 in volume of T\$60.95bn, against T\$59.29bn.

SINGAPORE followed Tokyo lower. The Straits Times Industrial index lost 4.23 to 1,517.98. Turnover fell to S\$95m from S\$113m. KUALA LUMPUR's composite index finished 0.75 up at 584.20 on volume of 28.9m shares, after 26.7m.

BOMBAY strengthened on expectations of a Congress party victory in the general election. The BSE index forged ahead 36.29 or 2.82 per cent to 1,320.54.

# Hong Kong stands out in easier week

**MARKETS IN PERSPECTIVE**

| | % change in local currency † | | | | % change sterling † | % change in US \$ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1991 | Start of 1991 | Start of 1991 |
| Austria | −0.46 | −2.89 | −17.48 | +16.36 | +14.74 | +2.04 |
| Belgium | +0.58 | −1.55 | −6.60 | +18.77 | +17.75 | +4.73 |
| Denmark | +0.18 | −0.50 | −0.92 | +16.86 | +14.76 | +2.07 |
| Finland | −2.02 | −4.34 | −17.81 | +21.31 | +23.64 | +9.97 |
| France | −1.43 | +1.37 | −13.82 | +18.27 | +16.22 | +3.36 |
| Germany | −1.09 | −0.24 | −13.22 | +12.74 | +8.17 | −2.90 |
| Ireland | −2.79 | −5.12 | −12.10 | +18.45 | +15.83 | +3.02 |
| Italy | −0.81 | −5.56 | −23.74 | +10.57 | +9.08 | −2.98 |
| Netherlands | −4.20 | −2.81 | −0.87 | +18.84 | +13.26 | +0.74 |
| Norway | −2.29 | +5.65 | −12.26 | +12.65 | +10.53 | −1.69 |
| Spain | +0.20 | +1.55 | +1.56 | +27.43 | +27.82 | +13.89 |
| Sweden | +0.26 | −1.72 | −10.27 | +22.18 | +25.03 | +11.20 |
| Switzerland | −0.43 | −1.14 | −4.74 | +19.09 | +16.38 | +3.51 |
| UK | −2.72 | −2.81 | +6.91 | +14.77 | +14.77 | +2.06 |
| EUROPE | −1.84 | −1.70 | −4.03 | +15.56 | +14.46 | +1.79 |
| Australia | −1.20 | +1.20 | +8.60 | +21.20 | +38.30 | +23.01 |
| Hong Kong | +3.97 | +6.47 | +32.29 | +31.27 | +47.83 | +31.47 |
| Japan | −1.79 | −1.82 | −18.05 | +12.37 | +23.79 | +10.09 |
| Malaysia | −0.84 | −3.70 | +5.01 | +10.04 | +21.22 | +7.81 |
| New Zealand | −3.73 | +4.89 | −18.15 | +20.35 | +36.26 | +21.17 |
| Singapore | −1.00 | −1.97 | −4.16 | +27.65 | +40.93 | +25.34 |
| Canada | −1.07 | −1.08 | −1.55 | +4.29 | +18.28 | +5.20 |
| USA | −0.91 | −3.25 | +5.31 | +13.10 | +27.17 | +13.10 |
| Mexico | −0.39 | +3.59 | +109.89 | +67.71 | +86.26 | +65.68 |
| South Africa | +2.14 | +1.92 | −8.97 | +10.89 | +29.99 | +15.61 |
| WORLD INDEX | −1.37 | −2.13 | −5.47 | +13.79 | +23.00 | +9.39 |

† Based on May 17th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd

By Antonia Sharpe

GLOBAL stock markets were generally easier last week, with Japan weighing most heavily on the world's performance. According to the FT-Actuaries, the world index fell 1.4 per cent in local terms on the week, but excluding Japan the decline would have been reduced to 1.1 per cent.

Tokyo lost 1.8 per cent in local currency terms, overshadowed by weakness on Wall Street and an unexpected downward revision of earnings by Pioneer Electronic. Market sentiment was shaken further when the Nikkei average fell through the important support level of 26,000 for the first time in 10 weeks.

Mr Patrick Hogan at Nomura International says that in the near term, poor corporate earnings results and a growing long margin position should continne to depress Tokyo prices, although a fall in short-term interest rates should encourage investors to increase their weighting in domestic interest rate-sensitive sectors, such as steels, financials and shipbuilders.

Hong Kong was the week's best performer, climbing 3.9 per cent in local terms. The Hang Seng index rose to its highest level since the 1987 stock market crash and approached its all-time high, on indications that US President George Bush would renew China's Most Favoured Nation trading status and on expectations of a positive outcome to the Sino-British airport talks. However, it fell 2.2 per cent yesterday on concern about both issues.

The Netherlands fared the worst, falling 4.2 per cent. It was depressed mainly by Wall Street and failed to respond to respectahle first-quarter results from two market leaders, Royal Dutch and Unilever.

It was followed by New Zealand, pulled down by Fletcher Challenge after its international share placement. The FT-A New Zealand index, of which Fletcher accounts for one third, dropped 3.7 per cent. The Barclays index, for which Fletcher represents one quarter, fell 3 per cent.

**FT-ACTUARIES WORLD INDICES**

Jointly compiled by Tha Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzia in conjunction with tha Institute of Actuarles and the Faculty of Actuarles

| NATIONAL AND REGIONAL MARKETS | MONDAY MAY 20 1991 | | | | | | | | FRIDAY MAY 17 1991 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1991 High | 1991 Low | Year ago (approx) |
| Australia (72) | 144.83 | −0.3 | 124.91 | 126.52 | 130.12 | 123.44 | +0.0 | 5.86 | 145.21 | 125.42 | 127.08 | 131.06 | 123.38 | 147.30 | 112.74 | 130.56 |
| Austria (19) | 202.56 | +0.9 | 174.70 | 176.96 | 181.98 | 177.99 | +0.0 | 1.48 | 200.66 | 173.32 | 175.62 | 181.11 | 177.99 | 222.37 | 167.00 | 235.78 |
| Belgium (60) | 136.72 | −1.3 | 117.92 | 119.43 | 122.82 | 118.86 | +0.0 | 4.94 | 138.47 | 119.60 | 121.18 | 124.97 | 119.86 | 151.20 | 121.78 | 151.06 |
| Canada (117) | 136.91 | +0.1 | 118.06 | 119.59 | 122.99 | 113.96 | +0.0 | 3.51 | 136.79 | 118.15 | 119.71 | 123.45 | 113.96 | 141.10 | 126.49 | 135.82 |
| Denmark (31) | 237.62 | +0.1 | 204.94 | 207.58 | 213.47 | 213.62 | +0.0 | 1.57 | 237.44 | 205.08 | 207.80 | 214.30 | 213.62 | 270.56 | 217.74 | 252.99 |
| Finland (21) | 114.03 | +0.5 | 98.34 | 99.62 | 102.44 | 95.70 | +0.5 | 2.54 | 113.42 | 97.96 | 99.26 | 102.36 | 95.18 | 125.15 | 90.61 | 139.88 |
| France (111) | 136.36 | +0.1 | 117.61 | 119.11 | 122.49 | 125.40 | +0.0 | 3.40 | 136.18 | 117.63 | 119.16 | 122.90 | 125.40 | 152.26 | 121.85 | 165.63 |
| Germany (88) | 109.15 | +0.5 | 94.14 | 95.37 | 98.06 | 98.06 | +0.0 | 2.27 | 108.65 | 93.84 | 95.10 | 98.06 | 98.06 | 125.35 | 102.43 | 129.89 |
| Hong Kong (47) | 161.77 | +1.0 | 139.52 | 141.31 | 145.33 | 161.80 | +1.1 | 4.23 | 160.14 | 138.32 | 140.15 | 144.54 | 160.11 | 161.77 | 118.62 | 121.65 |
| Ireland (17) | 151.71 | −0.8 | 130.84 | 132.53 | 136.29 | 137.91 | −1.1 | 4.07 | 152.94 | 132.10 | 133.85 | 138.04 | 139.40 | 182.46 | 132.88 | 182.71 |
| Italy (91) | 75.89 | −0.1 | 65.45 | 66.29 | 68.18 | 72.67 | −0.4 | 3.26 | 75.96 | 65.62 | 66.49 | 68.57 | 72.94 | 88.23 | 72.05 | 106.00 |
| Japan (452) | 136.68 | −0.5 | 117.88 | 119.40 | 122.81 | 119.40 | −0.7 | 0.72 | 137.36 | 118.64 | 120.21 | 123.99 | 120.21 | 146.97 | 115.35 | 149.30 |
| Malaysia (33) | 227.54 | −0.5 | 196.24 | 198.78 | 204.41 | 242.26 | −0.2 | 3.13 | 228.71 | 197.54 | 200.15 | 206.41 | 242.82 | 247.78 | 192.88 | 228.00 |
| Mexico (12) | 981.07 | +1.3 | 846.14 | 857.05 | 881.36 | 3209.36 | +1.4 | 0.39 | 968.19 | 836.25 | 847.33 | 873.63 | 3164.59 | 995.27 | 534.45 | 501.92 |
| Netherland (40) | 135.62 | +0.5 | 116.97 | 118.47 | 121.84 | 120.49 | +0.0 | 4.32 | 134.96 | 116.57 | 118.11 | 121.81 | 120.49 | 145.73 | 125.70 | 139.80 |
| New Zealand (14) | 52.66 | +0.1 | 45.42 | 46.01 | 47.31 | 47.57 | +0.8 | 7.39 | 52.60 | 45.43 | 46.03 | 47.47 | 47.18 | 54.64 | 41.16 | 68.27 |
| Norway (30) | 201.86 | +0.5 | 174.10 | 176.35 | 181.35 | 183.98 | +0.0 | 1.64 | 200.61 | 173.45 | 175.75 | 181.25 | 183.96 | 223.24 | 182.24 | 241.52 |
| Singapore (25) | 203.10 | +1.7 | 175.17 | 177.43 | 182.46 | 165.90 | +1.9 | 2.02 | 199.63 | 172.43 | 174.71 | 180.17 | 162.86 | 208.25 | 151.63 | 206.50 |
| South Africa (60) | 208.92 | −1.2 | 180.18 | 182.50 | 187.68 | 150.95 | −0.1 | 3.74 | 211.43 | 182.62 | 185.03 | 190.82 | 151.04 | 212.78 | 173.00 | 194.58 |
| Spain (41) | 160.73 | +0.8 | 138.62 | 140.41 | 144.39 | 130.77 | +1.0 | 4.33 | 159.52 | 137.78 | 139.61 | 143.97 | 129.43 | 171.12 | 131.51 | 161.31 |
| Sweden (27) | 176.32 | −0.8 | 152.07 | 154.03 | 158.40 | 162.22 | +0.0 | 2.70 | 177.31 | 153.15 | 155.18 | 160.04 | 162.22 | 204.12 | 146.60 | 202.00 |
| Switzerland (66) | 92.62 | +0.6 | 79.88 | 80.92 | 83.22 | 83.72 | +0.0 | 2.33 | 92.05 | 79.51 | 80.57 | 83.09 | 83.72 | 100.67 | 82.17 | 99.60 |
| United Kingdom (293) | 170.07 | +0.6 | 146.68 | 148.55 | 152.77 | 146.68 | +0.4 | 4.90 | 169.12 | 146.07 | 147.99 | 152.62 | 146.07 | 187.44 | 156.27 | 155.76 |
| USA (523) | 150.74 | +0.0 | 130.01 | 131.69 | 135.43 | 150.74 | +0.0 | 3.25 | 150.78 | 130.23 | 131.96 | 136.09 | 150.78 | 158.24 | 125.95 | 144.63 |
| Europe (935) | 137.46 | +0.4 | 118.55 | 120.08 | 123.49 | 121.18 | +0.2 | 3.89 | 136.94 | 118.28 | 119.84 | 123.60 | 120.94 | 151.52 | 125.50 | 145.00 |
| Nordic (109) | 176.70 | −0.1 | 152.40 | 154.37 | 158.75 | 154.41 | +0.0 | 2.08 | 176.91 | 152.80 | 154.83 | 159.67 | 154.36 | 200.81 | 155.55 | 199.27 |
| Pacific Basin (643) | 137.47 | −0.4 | 118.57 | 120.10 | 123.50 | 120.53 | −0.6 | 1.06 | 138.06 | 119.24 | 120.83 | 124.61 | 121.23 | 145.92 | 117.86 | 147.64 |
| Euro−Pacific (1578) | 137.80 | −0.1 | 118.85 | 120.37 | 123.79 | 121.67 | −0.3 | 2.22 | 137.93 | 119.14 | 120.71 | 124.48 | 121.98 | 147.66 | 121.29 | 146.96 |
| North America (640) | 149.61 | +0.0 | 129.20 | 130.88 | 134.61 | 148.27 | +0.0 | 3.27 | 149.83 | 129.41 | 131.14 | 135.25 | 148.30 | 157.04 | 126.91 | 144.00 |
| Europe Ex. UK (642) | 117.62 | +0.2 | 101.44 | 102.77 | 105.69 | 106.24 | +0.0 | 3.12 | 117.34 | 101.35 | 102.71 | 105.92 | 106.20 | 129.80 | 106.85 | 136.74 |
| Pacific Ex. Japan (191) | 145.66 | +0.4 | 125.63 | 127.27 | 130.87 | 129.80 | +0.6 | 4.69 | 145.14 | 125.36 | 127.04 | 131.01 | 129.06 | 145.66 | 111.40 | 127.17 |
| World Ex. US (1767) | 138.97 | −0.1 | 119.86 | 121.41 | 124.86 | 122.40 | −0.2 | 2.28 | 139.11 | 120.15 | 121.75 | 125.55 | 122.69 | 148.16 | 122.32 | 147.25 |
| World Ex. UK (1997) | 139.16 | −0.1 | 120.02 | 121.57 | 125.03 | 129.64 | −0.2 | 2.35 | 139.36 | 120.37 | 121.97 | 125.79 | 129.94 | 145.77 | 120.06 | 144.16 |
| World Ex. So. Af. (2230) | 141.48 | −0.1 | 122.03 | 123.61 | 127.12 | 131.16 | −0.2 | 2.62 | 141.57 | 122.28 | 123.91 | 127.78 | 131.36 | 148.66 | 122.92 | 144.86 |
| World Ex. Japan (1838) | 146.00 | +0.1 | 125.92 | 127.56 | 131.18 | 137.63 | +0.1 | 3.56 | 145.80 | 125.93 | 127.81 | 131.81 | 137.31 | 152.83 | 126.69 | 144.49 |
| The World Index (2290) | 141.38 | −0.1 | 122.38 | 123.96 | 127.48 | 131.32 | −0.2 | 2.63 | 141.99 | 122.64 | 124.27 | 128.16 | 131.53 | 149.01 | 123.28 | 145.18 |

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